

# **COUNTY OF RUTHERFORD**

**RUTHERFORDTON, NORTH CAROLINA**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Year Ended June 30, 2006**

**Rutherford County, North Carolina**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2006**

**Prepared By**  
**Rutherford County Finance Department**



## TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page(s)</u>
<b>INTRODUCTORY SECTION</b>		
• Letter of Transmittal		ix
• Area Map		x
• Organization Chart		xi
• GFOA Certificate of Achievement		xii
• Principal Officials		xiii
<b>FINANCIAL SECTION</b>		
• Independent Auditors' Report		1-2
• Management's Discussion and Analysis		3 - 13
• Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	14 - 15
Statement of Activities	2	16 - 17
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	19 - 20
Statement of Revenues, Expenditures, and Change in Fund Balances - Budget and Actual - General Fund	5	21
Statement of Net Assets - Proprietary Funds	6	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	7	23
Statement of Cash Flows - Proprietary Funds	8	24 - 25
Statement of Fiduciary Net Assets - Fiduciary Funds	9	26
Notes to the Financial Statements		28 - 55
<b>Required Supplemental Financial Data</b>		
• Law Enforcement Officers' Special Separation Allowance-Required Supplementary Information		56 - 57

## **Combining and Individual Fund Financial Statements and Schedules:**

• General Fund:	
- Comparative Balance Sheets	58
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	59 - 62
• Debt Services Fund:	
- Balance Sheet	63
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	64
• Nonmajor Funds:	
- Combining Balance Sheet - Nonmajor Governmental Funds	65
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	66
Special Revenue Funds:	
• Combining Balance Sheet	67 - 68
• Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	69 - 70
- Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
• Building Capital Reserve	71
• Reappraisal Fund	72
• School Capital Reserve Fund	73
• Enhanced 911 Fund	74
• Mental Health Reserve Fund	75
• Tourism Development Fund	76
• Grant Fund	77
• Grant CDBG Project Fund	78
• Fire Districts Fund	79
• Register of Deeds Automation Enhancement Fund	80
• Water and Sewer Project Fund	81
Capital Projects Funds:	
• Combining Balance Sheet	82
• Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	83
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
• School Capital Projects Fund	84
• County Buildings Capital Projects Fund	85

• Proprietary Fund Types:	
- Enterprise Funds:	
• Combining Balance Sheet	86
• Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings (Deficit)	87
• Solid Waste Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	88
• Solid Waste Reserve Fund - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	89
• Combining Schedule of Cash Flows	90
• Internal Service Fund:	
- Statement of Net Assets	91
- Statement of Revenues, Expenses and Changes in Net Assets	92
- Statement of Cash Flows	93
• Component Unit - Proprietary Fund:	
- Rutherford County Transit Administration - Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)	94
- Statement of Cash Flows	95
• Agency Funds:	
- Combining Balance Sheet	96
- Combining Statement of Changes in Assets and Liabilities	97
• Trust Fund:	
- Statement of Postemployment Healthcare Plan Net Assets	98
- Statement of Changes in Postemployment Healthcare Plan Net Assets	99
• Discretely Presented Component Units:	
- Schedule of Revenues Expenditures and Changes in Fund Balance:	
• Economic Development Commission	100
• Rutherford County Airport Authority	101
• Supplemental Financial Data:	
- Schedule of General Fund Ad Valorem Taxes Receivable	102
- Analysis of Current Tax Levy - General Fund	103
- Schedule of Special Districts Ad Valorem Taxes Receivable	104
- Analysis of Current Tax Levy - Special Districts Levy	105 - 106

## STATISTICAL SECTION

• Net Assets By Component	107
• Changes in Net Assets	108
• Fund Balances of Governmental Funds	109 - 110
• Changes in Fund Balances of Governmental Funds	111 - 112
• Assessed Value and Actual Value of Taxable Property	113 - 114
• Direct and Overlapping Property Tax Rates	115
• Principal Property Taxpayers	116 - 117

• Property Tax Levies and Collection	118
• Ratio of Outstanding Debt by Type	119 - 120
• Ratios of General Bonded Debt Outstanding	121
• Direct and Overlapping Governmental Activities Debt	122
• Legal or Debt Margin	123 - 124
• Demographic and Economic Statistics	125
• Principal Employers	126
• Full-Time Equivalent County Government Employees by Function	127
• Operating Indicators by Function	128
• Capital Assets Statistics by Function	129

## COMPLIANCE SECTION

• Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	130
• Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	131 - 132
• Report on Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Implementation Act	133 - 134
• Schedule of Expenditures of Federal and State Awards	135 - 140
• Schedule of Findings and Questioned Costs	141
• Summary Schedule of Prior Year Audit Findings	142

**CHARLES HILL**  
Chairman  
**CHIVOUS BRADLEY**  
Vice Chairman  
**AMANDA KING**  
Commissioner  
**PAUL MCINTOSH**  
Commissioner  
**BRENT WASHBURN**  
Commissioner

**JOHN W. CONDREY**  
County Manager  
**HAZEL S. HAYNES**  
Clerk to the Board  
**ROBERT W. BOLE**  
Finance Director  
**PAULA A. ROACH**  
Assistant Finance Director

# Rutherford County

289 North Main Street  
Rutherfordton, NC 28139  
(828) 287-6045  
(828) 287-6262 FAX

November 30, 2006

Rutherford County Board of Commissioners  
County of Rutherford  
289 North Main Street  
Rutherfordton, North Carolina 28139

Dear Commissioners:

In compliance with the General Statutes of the State of North Carolina, the Comprehensive Annual Financial Report (CAFR) of the County of Rutherford, North Carolina, is submitted for the fiscal year ended June 30, 2006. The responsibility for the accuracy, completeness, and clarity of the report rests with the County Finance Director. We believe the data presented is accurate in all material respects; that it is presented in a manner to fairly represent the financial position and the results of operations of the County of Rutherford as measured by the financial activities of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the county's financial activity have been included.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of independent auditors.



## REPORTING ENTITY AND ITS SERVICES

The county has a commissioner/manager form of government with five commissioners elected for four-year staggered terms. The Board of Commissioners approves all tax and budget issues by a majority vote. An organizational chart is presented in this introductory section.

The financial reporting entity consists of the primary government, organizations for which a primary government is financially accountable, and other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government is financially accountable if it appoints a voting majority of the organization's governing body; and (1) is able to impose its will on that organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. The following agencies have been included in the reporting entity as component units:

Rutherford County Airport Authority  
Rutherford County Economic Development Commission  
Rutherford County Transit Authority

Based on the foregoing criteria, it was not considered appropriate to include the following entities in the County of Rutherford reporting entity:

Rutherford County Board of Education  
Region C Council of Governments  
Fire and Sanitary Districts  
Isothermal Community College  
Rutherford/Polk/McDowell Public Health District  
Western Highlands Local Management Entity

The financial statements of these entities are audited and available at the County Finance Office and the office of each entity.

The County provides, in total or in part, a full range of governmental services including General Government, Public Safety, Environmental Protection, Human Services, Economic and Physical Development, Education, and Cultural Activities.

## ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

The county's accounting and financial systems have been designed to provide adequate internal accounting controls and to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or dispositions and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of

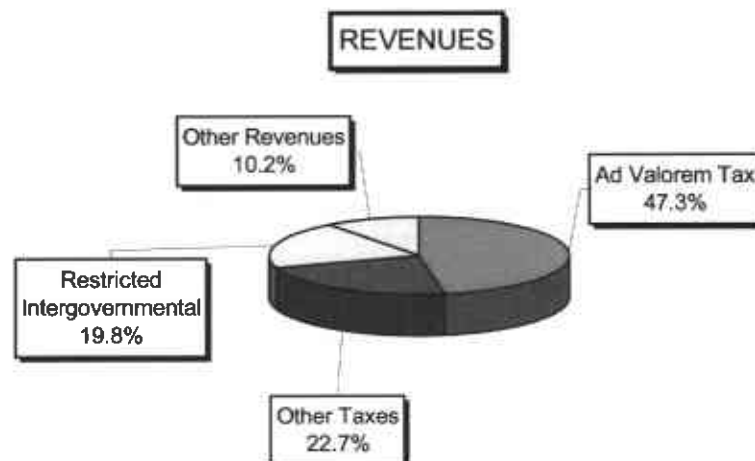
control should not exceed the benefits to be derived, and the evaluation of costs and benefits requires estimates and judgment by management. The county believes that the internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary or other control is exercised over all funds. Appropriations are made at the functional level for the General Fund, at the departmental level for the Special Revenue and Proprietary Funds, and at the object level for the Capital Project and Debt Service Funds. The Governing Board amends appropriations as necessary. The budget shown in the financial statements is the budget ordinance as amended through June 30, 2006. The county's budget ordinance is prepared on a modified accrual basis for all governmental fund types. The budgets for the General, Special Revenue, Debt Service, and Enterprise Funds are prepared on an annual basis, and the budgets for the Capital Project Funds are authorized for the life of the project.

### GENERAL GOVERNMENTAL FUNCTIONS

Revenues for annual general governmental functions come primarily from ad valorem taxes, the two and one-half-cent optional sales tax, and intergovernmental revenues (primarily state and federal). These governmental functions include the general and special revenue funds. Revenues in the general fund are the sources used to carry out the general operations of the County. Special revenue funds are monies that are restricted by law or administrative action for specific purposes such as reappraisal, school capital projects, tourism development and the fire districts tax distribution.

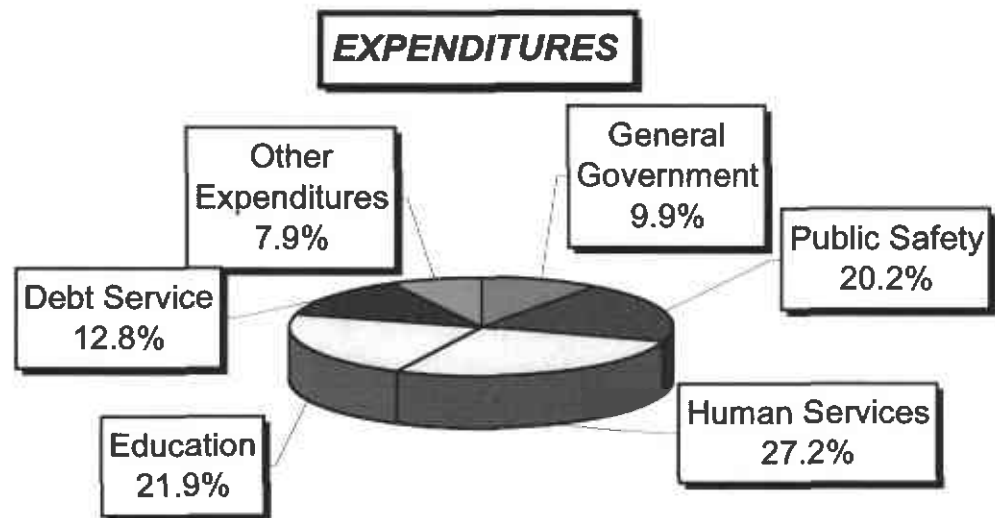
The following graph illustrates the County's general governmental sources of revenue for the general, special revenue and debt service funds only:



Rutherford County's revenues increased by approximately six and one-half percent mainly due to increases in ad valorem taxes and permits and fees.

Ad valorem and other tax revenues continue to be the largest source of revenue for the County accounting for 70% of total revenues. Permits and fees increased twenty-five percent, or \$287,711, mainly due to increases in revenues for excise stamps and building permits. Investment earnings increased following the growth in interest rates that has been experienced over the past year.

Management recognizes that local sources of revenue must be used to provide basic services instead of relying on the uncertainty of federal and state funding. Education, human services, and public safety continue to be the largest of county government expenditures representing 69% of all expenditures. The following graph illustrates the County's general governmental expenditures in the general, special revenue and debt service funds only:



Total expenditures increased by approximately six percent or \$3.3 million. The majority of the increases occurred in economic and physical development with increases also occurring in the areas of human services and debt service. Increased expenditures in human services were due to medical assistance, state foster care and child day care. The increase in economic and physical development was due to the Corporate 74 industrial park project which is discussed further on page vi and the water and sewer projects to expand utilities into rural areas of the County.

#### CASH MANAGEMENT

Rutherford County has in place an approved Cash Management Policy. This policy has specific guidelines for both revenues and expenditures. The Finance Department strives for efficient and profitable use of the County's cash resources. A pooled cash concept is utilized to maximize funds available for investment. Cash temporarily idle during the

year is invested in Certificates of Deposit, various instruments guaranteed by the United States Government and the North Carolina Capital Management Trust Fund (North Carolina Local Government Investment Pool).

The County's investments for fiscal year 2005-2006 earned \$1,052,453. The balance of cash and investments was \$22,964,495 as of June 30, 2006 as compared to \$20,641,880 as of June 30, 2005. The county's undesignated fund balance as of June 30, 2006 was \$8,386,061 and \$1,150,667 in the General Fund and the Special Revenue Fund, respectively.

### DEBT ADMINISTRATION

Rutherford County has efficiently managed its debt and has planned for future debt payment. General Long-Term Debt outstanding as of June 30, 2006 is comprised of the following:

- 2004 Certificates of Participation issued for school construction - \$7,140,000
- General Obligation Bonds issued for school construction - \$11,490,000
- General Obligation Bonds issued for water and sewer construction - \$1,520,000
- 2003 Refunding of 1994 Certificates of Participation issued for county facilities - \$7,400,000
- 2001 Private Placement for county building projects - \$2,625,000
- 2003 Certificates of Participation issued for school construction - \$18,575,000
- 2003 Certificates of Participation industrial development - \$940,000
- 2005 Private Placement for school construction - \$4,424,419
- Other Capitalized Leases - \$1,876,214
- Other commitments (accrued vacation, pension) - \$1,171,495

The general obligation bonds, certificates of participation, and private placement debt service are being funded with sales tax revenue (which is set aside in reserve funds). One hundred percent of the Article 40 one-half cent sales tax adopted in 1983 and sixty percent of the Article 42 one-half cent sales tax adopted in 1986 have been designated for school construction. These funds are being set aside to pay for construction of schools and the debt service on borrowed funds used to construct schools. The remaining 40% of the Article 42 one-half cent sales tax adopted in 1986 has been designated for county building construction. Six percent of Article 39 one cent sales tax has been designated for the water and sewer construction. The capitalized lease payments and other commitments are being funded by general and special revenue fund revenues as the commitments come due.

The county bond rating for the outstanding general obligation debt is "A2" with Moody Investor Service, "A+" with Fitch Ratings. The rating for the September 2002 COPS financing is "A3" with Moody Investor Service, "A-" with Standard and Poors Corporation and "A" with Fitch Ratings. The rating process normally rates COPS issues one rate lower than General Obligation issues.

The General Statutes control general long-term debts that local governments in North

Carolina can issue. Long-term debt cannot exceed 8% of the assessed valuation of the County which was \$4,101,537,258 as of January 1, 2005. Thus, the legal debt limit of the County as of June 30, 2006 is \$328,122,981 with a legal debt margin of \$272,132,348 considering the outstanding bond debt of \$13,010,000 and other debt of \$42,980,633.

### RISK MANAGEMENT

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To protect itself in these cases, the County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these two pools, the County obtains property, general, auto, professional liability, crime and worker's compensation coverage.

Until June 30, 2005, the County also participated in a self-insured pool with the Rutherford/Polk Mental Health District and the Rutherford/Polk/McDowell Public Health District to provide health and dental benefits to employees. The internal service fund is still operational to account for run out claims. Beginning July 1, 2005, the County participates in fully insured health and dental insurance plans. The Insurance Plan Administrators are the State Health Plan for medical and Securian for dental.

In December, 2003, a trust fund was established to continue health insurance benefits for twelve mental health retirees as defined by an agreement between the Rutherford Polk Mental Health Authority and the Rutherford County Board of Commissioners as a result of the Authority's dissolution in 2005.

### THE ECONOMY OF RUTHERFORD COUNTY

Rutherford County's population is estimated to be 63,771 with a work force of 28,147. The population has grown by 6.5% during the last decade. The 2001 Census revealed that the greatest growth occurred in the Lake Lure area indicating retirees moving into this area. The goods producing work force declined over the last decade, while the service producing work force increased. The median age has increased to 38.3 as compared to 37.0 a decade ago. The county trend seems to be following the national trend in rural America.

Seventy-four manufacturing firms are located in Rutherford County led by textiles, valves, and plastics. Textiles and manufacturing continue to be the leader in jobs and wages. Recent trends show textiles declining, again following the national trend. In 2000, the industrial base in the County diversified with the introduction of composites and automotive components. The County has also developed industrial sites and buildings to sell. Riverstone Industrial Park contains 1,150 acres and is the largest certified industrial park in North Carolina. There are over thirty building sites proposed for this property. Over twelve million dollars of private funds have been invested and the Town of Forest City is providing water and sewer.

With grant assistance, the County is also developing an industrial park—Highway 74

Corporate Center. The newest tenant to the park is the Second State Data Center. The North Carolina General Assembly approved \$24.8 million for the new data center in the current budget. This center will bring \$3 million investment to the state and will provide 30 to 50 new jobs to Rutherford County.

Another significant industry in the County is travel and tourism. Tourism in Rutherford County continues to grow proven by the fact it is ranked 26th among NC's 100 counties for tourism expenditures. Visitor spending topped \$118.23 million, the largest ever, a 10.8% increase over 2004. The county tourism industry employs 1,200 people with a payroll estimated at \$19.29 million. Over \$10.85 million is generated by tourism for state and local tax receipts which represents a \$171 tax savings to each county resident. Major attractions include Lake Lure and Chimney Rock Park, both located in the western sector of the county. Over 1,200 rentable units are available to visitors for overnight stays. In addition to traditional hotels, cabins, cottages and houses are for rent. The county boasts 3 championship golf courses. The proposed Queens Gap development will add a private golf course to the County. The visitors originate from all parts of the US who come to enjoy the challenge of the courses while enjoying the scenic beauty of the area. The area is also known for its role in the filming of blockbuster movies like *The Last of the Mohicans* and *Dirty Dancing*. The Rutherford County Tourism Development Authority is the destination management authority which uses the 5% occupancy tax revenue to promote the area as a travel, tourism, retirement and convention destination.

Many areas within the County have grown exponentially with residential construction. One such development is Grey Rock in the Lake Lure area. Since its opening in October 2004, it is already in its third of four phases of development. Grey Rock is also the home of the 10<sup>th</sup> Anniversary HGTV Dream Home. An estimated 25,000 tourists visited Rutherford County for tours from January to March 2006. This 5,700-square-foot house offers an awesome panoramic view of Lake Lure and the surrounding mountains.

The County has implemented a strategic plan entitled *Realize Rutherford*. The plan was designed by a group of County citizens and defines a comprehensive direction for the next 10 to 20 years on issues such as economic development, education, housing, land use planning and recreation. To date over one hundred groups or individuals have committed their time and effort as Vision Partners. A Vision Partner is someone who is actively working on one of the strategies within the plan. The process is privately funded for five years through local organizations. Recently, the County's E-Rutherford initiative was chosen by The Institute for Community Inclusion as one of three in the country, along with three in the United Kingdom, for a research project that will investigate the creative and innovative ways to introduce the Internet to people who might not have had the opportunity to use it before.

The largest challenge facing the County is re-training the work force. In view of the changing technological requirements of industry, Rutherford County is fortunate to have Isothermal Community College standing ready with specialty training programs to help new and existing industry to keep pace with their changing needs. The college offers 60 programs of study and provides training for area business and industry, personal

enrichment courses, adult basic education, adult high school programs, remedial and development courses, and community service activities. In cooperation with the County and the School Board, the College is currently constructing a Lifelong Learning Center. This building will house the REACH high school program and serve as campus to several university satellite programs, enabling our residents to achieve a bachelor's degree while attending our local campus.

The ENC Initiative has lead in the establishment of six Business and Technology Centers in North Carolina. With grant funding, Rutherford County opened Foothills Connect in October 2005 with the goals of creating jobs and stimulating the local entrepreneurship community.

### INDEPENDENT AUDIT

The General Statutes of North Carolina require an independent financial audit of all local governments in the state. Gould Killian CPA Group, a firm of independent certified public accountants, has examined the financial records of the county and their opinion is included in this report. Their audit was made in accordance with generally accepted auditing standards and accordingly, included tests of the county's records and any other auditing procedures as they considered necessary. Their unqualified opinion indicates that the accompanying financial statements have been prepared by the county in conformity with generally accepted accounting principles.

### AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Rutherford County for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the seventeenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### ACKNOWLEDGMENT


Deserving special recognition are the skilled, talented, and dedicated employees - the work force of the County of Rutherford. We also express sincere appreciation to the Board of County Commissioners for their leadership in providing responsible government.

## USE OF REPORT

A copy of this report will be made available to various departments of the county, the Local Government Commission, bond rating agencies, state and federal grant agencies and such other institutions expressing an interest in Rutherford County's financial affairs.

A copy of this report will also be placed in the Rutherford County Public Library.

Respectfully submitted,



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John W. Condrey  
County Manager



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Robert W. Bole  
Finance Director



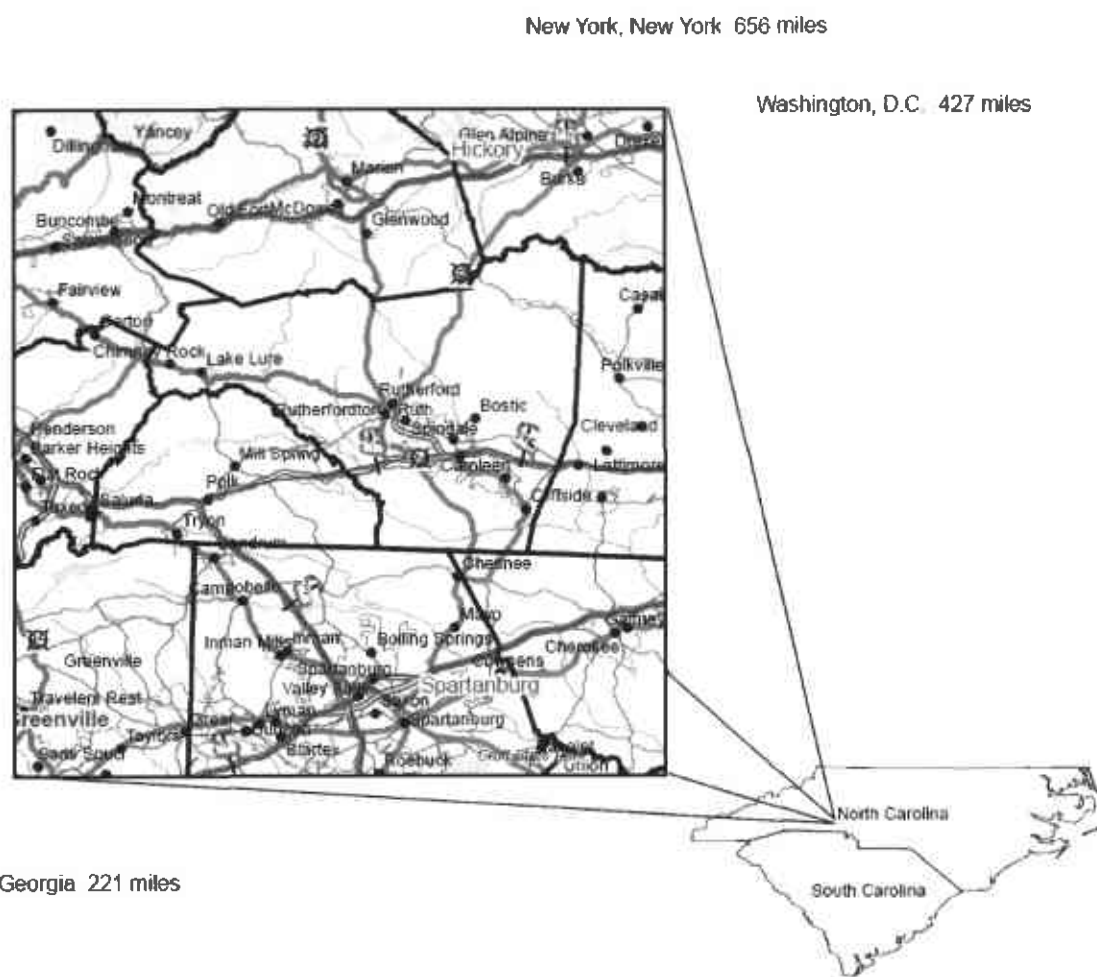
## THE COUNTY

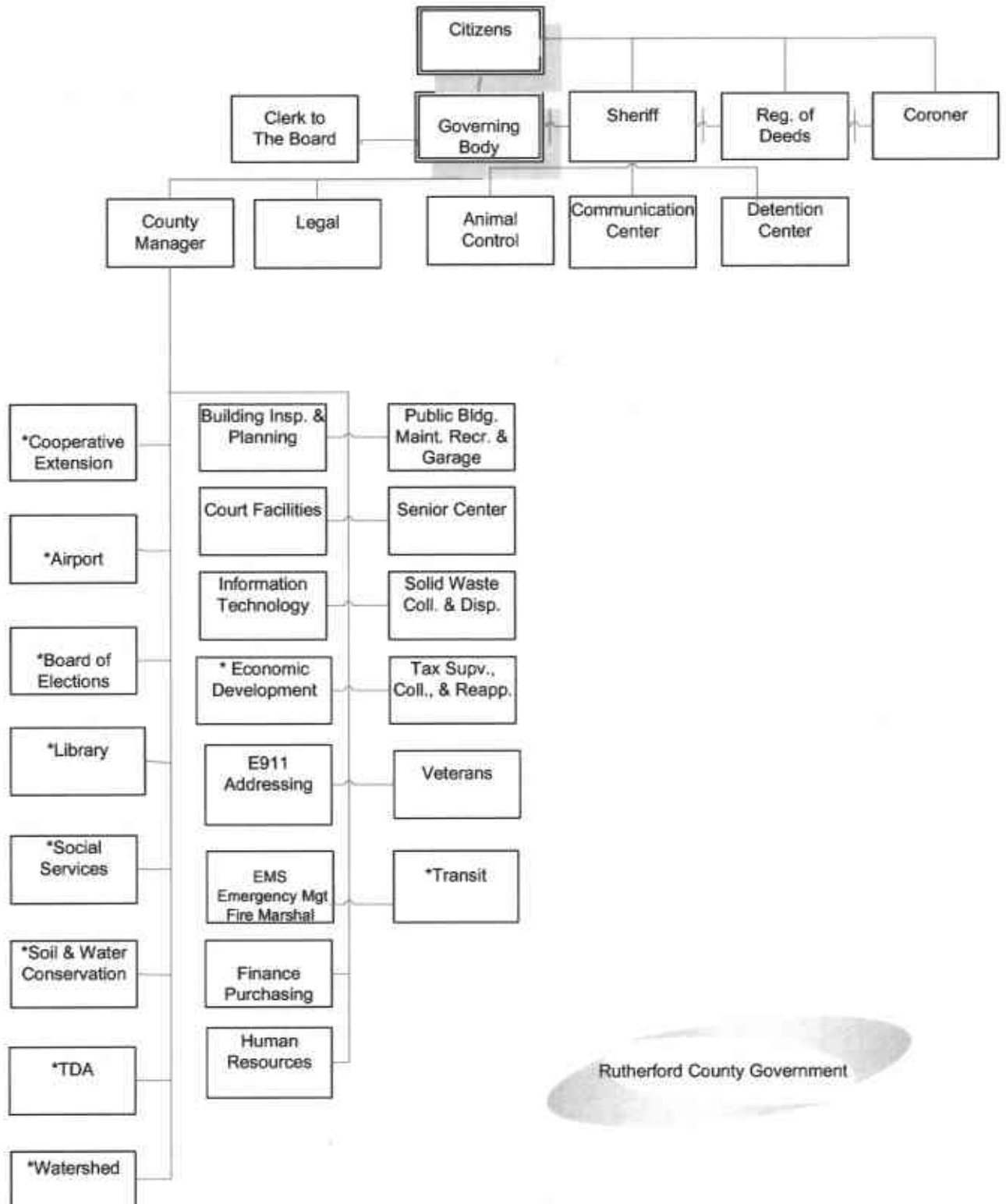
### General Description

The County was formed in 1779 from Tryon and named for General Griffith B. Rutherford. The County Comprises approximately 566 square miles and is nestled in the rolling foothills of the Blue Ridge Mountains in the heart of the Thermal Belt. These mountain ranges provide shelter from extreme weather conditions in winter, but have cooling mountain breezes in summer. This moderation of weather and temperatures contribute greatly to the pleasant and peaceful living conditions enjoyed by the County residents.

Located in an urban triangle comprised of Charlotte, North Carolina – 70 miles; Asheville, North Carolina – 45 miles; and Spartanburg, South Carolina – 30 miles, the residents of the County enjoy suburban living while having access to urban facilities.

### 50 MILE RADIUS





Rutherford County Government

**Note**

\* Appointed in whole or in part by others

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Rutherford  
North Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Caren E. Perry*

President

*Jeffrey R. Emen*

Executive Director

**RUTHERFORD COUNTY, NORTH CAROLINA**

**June 30, 2006**

**Board of County Commissioners**

Charles Hill, Chairman

Chivous Bradley, Vice Chairman

Amanda King

Paul McIntosh

Brent Washburn

**County Manager**

John Condrey

**Finance Director**

Robert W. Bole

**Assistant Finance Director**

Paula A. Roach





# ***Gould Killian CPA Group, P.A.***

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **Independent Auditors' Report**

Board of Commissioners  
Rutherford County  
Rutherfordton, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rutherford County's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Rutherford County, North Carolina as of June 30, 2006, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the schedules of funding progress, employer contributions and the notes to the required schedules for the Law Enforcement Officers' Special Separation allowance, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2006 on our consideration of Rutherford County, North Carolina's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Rutherford County, North Carolina, taken as a whole. The combining and individual fund nonmajor fund and schedules, as well as the accompanying schedule of expenditures of Federal and State awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The information presented in the Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 15, 2006



## Management's Discussion and Analysis

As management of Rutherford County, we offer readers of Rutherford County's financial statements this narrative overview and analysis of the financial activities of Rutherford County for the fiscal year ended June 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

### Financial Highlights

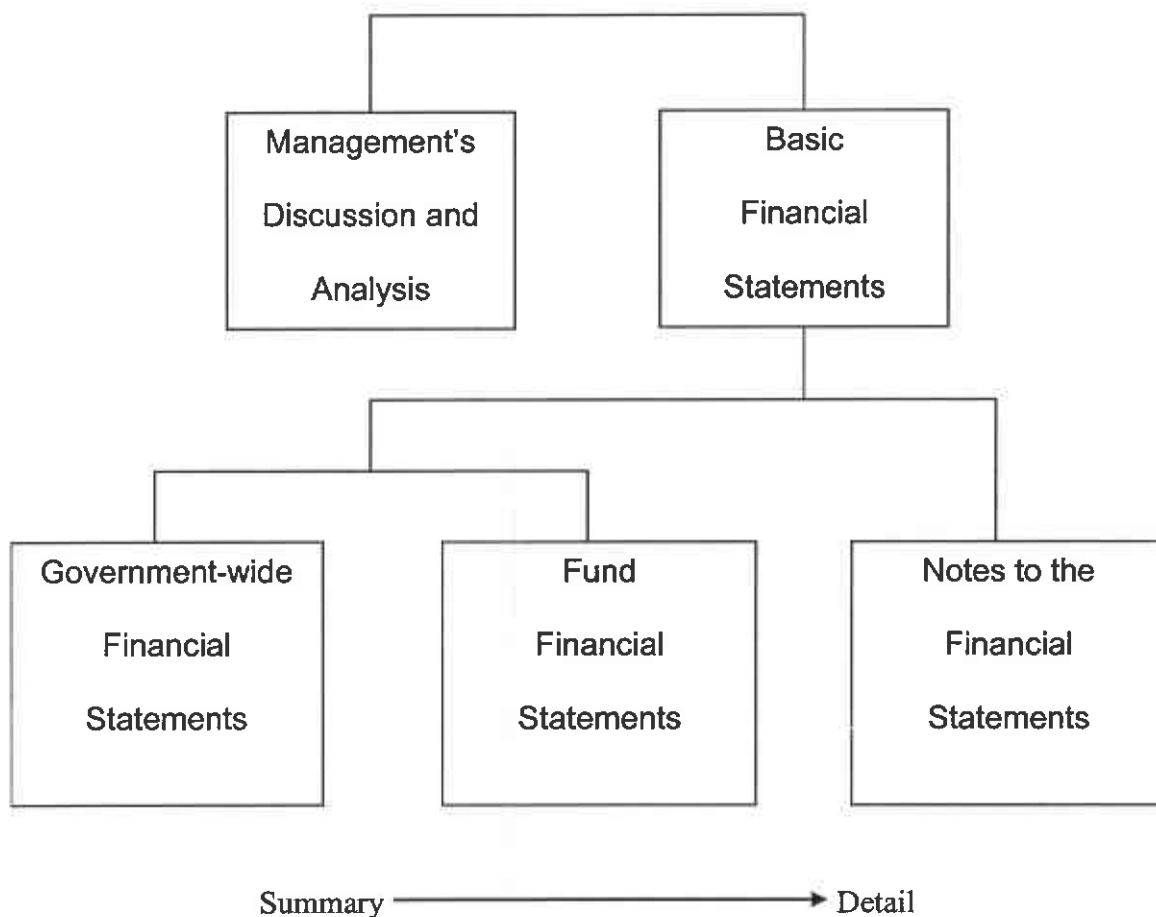
- As of the close of the current fiscal year, Rutherford County's governmental funds reported combined ending fund balances of \$23,099,175, an increase of \$2,840,752 in comparison with the prior year. The combined fund balance consisted of: general fund - \$14,440,104 compared to \$12,926,130 (2005); capital projects funds - \$3,416,272 compared to \$2,267,431 (2005); non-major special revenue \$5,242,799 compared to \$5,670,487 (2005). Approximately 83 percent of this total amount, or \$19,178,712, is available for spending at the government's discretion (unreserved fund balance). In 2005, the unreserved fund balance was \$14,913,406 or 28 % of expenditures.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$ 10,519,641, or 23.63% of total general fund expenditures. In 2005, unreserved fund balance in the General Fund was \$9,010,221, or 21.2% of total expenditures.
- The assets of Rutherford County's governmental activities exceeded its liabilities at the close of the fiscal year resulting in a surplus of \$980,730 (*net assets*). This compares to a June 30, 2005 deficit of \$6,077,819. In accordance with North Carolina law, liabilities of the County include \$30,065,000 in long-term debt associated with assets belonging to the Rutherford County Board of Education. As these assets are not reflected in the County's financial statements and the full amount of the long-term debt is reported, the County has reported a net deficit in unrestricted net assets in prior years.
- The government's long-term debt increased by \$2,021,184.
- The government's total net assets increased by \$7,289,507.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Rutherford County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the fiscal condition of Rutherford County.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the County's financial status.

The next statements (Exhibits 3 through 9) are Fund Financial Statements. These statements focus on the activities of the County and provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; 3) the proprietary fund statements; and 4) the fiduciary fund statements.

The final section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the County's non-major governmental funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Following the notes is the required supplemental information. This section contains funding information about the County's law enforcement officers' pension plan.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

The two government-wide statements report the County's net assets and how they have changed. Net assets are the difference between the County's total assets and total liabilities. Measuring net assets is one way to gauge the County's financial condition.

The government-wide financial statements are divided into the following three categories:

**Governmental activities** – These activities of the County include general government, public safety, human services, economic and physical development, education, and cultural and recreation. Property taxes and state and federal grant funds finance most of these activities.

**Business-type activities** – The County charges fees to recover the costs associated with providing certain services. These activities include solid waste disposal.

**Component units** – The government-wide financial statements include not only the County of Rutherford itself (known as the primary government), but also a legally separate airport, a legally separate tourism development authority, and a legally separate economic development commission for which the County of Rutherford is financially accountable. Although legally separate from the County, these agencies are important to the County because the County exercises control over the Board by appointing its members and because the Board is required to distribute its profits to the County. Financial information for these component units is reported separately from the financial information for the primary government itself.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

The fund financial statements (see Figure 2) provide a more detailed look at the County's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Rutherford County, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance.

All of the funds of Rutherford County can be divided into three categories: governmental, proprietary and fiduciary funds.

*Governmental Funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the County's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Rutherford County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

*Proprietary Funds* – Rutherford County has one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Rutherford County uses enterprise funds to account for its landfill operations. These funds are the same as those separate activities shown in the business-type activities in the Statement of Net Assets and the Statement of Activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the functions of Rutherford County. The County uses an internal service fund to account for the activities related to the dissolution of its self insurance fund. Because this service benefited predominantly governmental rather than business-type activities, the internal service fund has been included within the governmental activities in the government-wide financial statements.

*Fiduciary Funds* – Agency funds are used to account for resources held for the benefit of parties outside the government. Rutherford County has four agency funds. Trust funds are also funds held for the benefit of other parties. Rutherford County has one trust fund.

*Notes to the Financial Statements* – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 16 through 42 of this report.

*Other Information* – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning Rutherford County's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found beginning on page 43 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of Rutherford County exceeded liabilities by \$3,269,500 as of June 30, 2006. As of June 30, 2005, the net assets of Rutherford County stood at a deficit of (\$4,020,007). The County's net assets increased by \$7,289,507 for the fiscal year ended June 30, 2006, compared to an increase of \$2,584,507 in 2005. One of the largest portions reflects the County's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Rutherford County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Rutherford County's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. A portion of Rutherford County's net assets represents resources that are subject to external restrictions on how they may be used. At June 30, 2006, the total net deficit of (\$11,552,500) in unrestricted net assets is primarily attributable to the governmental activities unrestricted deficit balance of (\$11,683,508). In 2005, the amount of net assets invested in capital assets net of related debt was \$6,813,299, with restricted assets standing at \$3,342,114. The remaining deficit balance (\$14,175,419) was unrestricted.

**Figure 2**  
**RUTHERFORD COUNTY'S NET ASSETS**

	Governmental Activities		Business-type Activities		Total	Total
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 26,634,914	\$ 24,330,310	\$ 2,085,576	\$ 2,369,845	\$ 28,720,490	\$ 26,700,155
Capital assets	32,561,351	25,795,429	2,951,609	2,575,745	35,512,960	28,371,174
Total assets	\$ 59,196,265	\$ 50,125,739	\$ 5,037,185	\$ 4,945,590	\$ 64,233,450	\$ 55,071,329
Long-term liabilities outstanding	\$ 57,162,128	\$ 54,972,548	\$ 2,566,774	\$ 2,690,706	\$ 59,728,902	\$ 57,663,254
Other liabilities	1,053,407	1,231,188	181,641	197,072	1,235,048	1,428,260
Total liabilities	\$ 58,215,535	\$ 56,203,736	\$ 2,748,415	\$ 2,887,778	\$ 60,963,950	\$ 59,091,514
Net assets:						
Invested in capital assets, net of related debt	8,155,717	5,031,401	2,157,762	1,781,898	\$ 10,313,479	\$ 6,813,299
Restricted	4,508,521	3,342,114	-	-	\$ 4,508,521	\$ 3,342,114
Unrestricted	(11,683,508)	(14,451,333)	131,008	275,914	\$ (11,552,500)	\$ (14,175,419)
Total net assets	\$ 980,730	\$ (6,077,818)	\$ 2,288,770	\$ 2,057,812	\$ 3,269,500	\$ (4,020,006)

The majority of the governmental activities deficit in prior years consisted of the school construction debt. As with many counties in the State of North Carolina, the County's deficit in unrestricted net assets is due primarily to the portion of the county's outstanding debt incurred for the County Board of Education (the "school system"). Under North Carolina law, the County is responsible for providing capital funding for the school system. The County has chosen to meet its legal obligation to provide the school system capital funding by using a mixture of county funds, general obligation debt and certificates of participation. The assets funded by the County, however, are owned and utilized by the school system. When the County, as the issuing government, acquires no capital assets, the County incurs a liability without a corresponding increase in assets. Sunshine Elementary and Dunbar Elementary (currently under renovation) are exceptions that the County owns the school. At the end of the fiscal year, \$30,065,000 of the outstanding debt on the County's financial statements was related to assets included in the school system's financial statements. Principal and interest requirements will be provided by an appropriation in the year in which they become due.

The impact of the inclusion of the school system debt without the corresponding assets was offset by the following positive operational initiatives and results:

- Continued diligence in the collection of property taxes by maintaining a collection percentage of 96.02%. This represents a slight decrease from fiscal year 2005 when the tax collection percentage for the county was 96.2%.
- Register of deeds, building inspection and EMS service revenues increased to positively affect net assets.
- Continued efforts of all departments to minimize costs and efficiently serve our citizens.

Figure 3

## RUTHERFORD COUNTY'S CHANGES IN NET ASSETS

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 3,691,531	\$ 3,764,053	\$ 3,208,508	\$ 3,377,143	\$ 6,900,039	\$ 7,141,196
Operating grants and contributions	9,480,758	8,864,479	129,721	117,345	9,610,479	8,981,824
Capital grants and contributions	1,522,561	1,709,923	-	-	1,522,561	1,709,923
General revenues:						
Property taxes	26,822,856	25,426,291	-	-	26,822,856	25,426,291
Other taxes	13,444,688	12,378,065	-	-	13,444,688	12,378,065
Other	7,169,543	947,797	32,000	35,174	7,201,543	982,971
Total revenues	62,131,937	53,090,808	3,370,229	3,529,662	65,502,166	56,620,270
<b>Expenses:</b>						
General government	5,986,407	5,467,270	-	-	5,986,407	5,467,270
Public safety	11,805,593	11,402,836	-	-	11,805,593	11,402,836
Environmental protection	133,673	124,741	-	-	133,673	124,741
Economic and physical development	3,491,223	2,512,395	-	-	3,491,223	2,512,395
Human services	15,666,923	14,979,133	-	-	15,666,923	14,979,133
Cultural and recreation	496,255	468,023	-	-	496,255	468,023
Education	14,909,359	13,355,725	-	-	14,909,359	13,355,725
Interest on long-term debt	2,503,590	2,286,910	-	-	2,503,590	2,286,910
Landfill	-	-	3,219,636	3,438,732	3,219,636	3,438,732
Total expenses	54,993,023	50,597,033	3,219,636	3,438,732	58,212,659	54,035,765
Increase (decrease) in net assets before transfers and special items	7,138,914	2,493,575	150,593	90,930	7,289,507	2,584,505
Transfers	(80,365)	(80,365)	80,365	80,365	-	-
Increase in net assets	7,058,549	2,413,210	230,958	171,295	7,289,507	2,584,505
Net assets, July 1						
As previously reported	(6,077,819)	(10,216,029)	2,057,812	3,611,517	(4,020,007)	(6,604,512)
Prior period adjustment	-	1,725,000	-	(1,725,000)	-	-
As restated	(6,077,819)	(8,491,029)	2,057,812	1,886,517	(4,020,007)	(6,604,512)
Net assets, June 30	\$ 980,730	\$ (6,077,819)	\$ 2,288,770	\$ 2,057,812	\$ 3,269,500	\$ (4,020,007)

**Governmental activities.** Governmental activities increased the County's net assets by \$7,058,549. This compares to an increase of \$2,413,210 in 2005. The key elements of this increase are ad valorem and sales tax.

**Business-type activities:** Business-type activities increased Rutherford County's net assets by \$230,958. Key elements of this increase are effective cost management in operation of landfill.

The County established an Enterprise Fund on July 1, 1992 to account for solid waste collection and disposal operations that are financed through solid waste fees. Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be

placed in a lined landfill. In order to meet this requirement, the County constructed a transfer station and began transporting MSW to a lined landfill outside the County. Studies are currently being conducted on the feasibility of constructing a lined landfill adjacent to our Central Landfill. The County is in the process of applying for a permit with the North Carolina Department of Environment and Natural Resources for this construction. The current contract for MSW transportation out of County expires December 2010.

The County continues to operate a Construction and Demolition (C&D) landfill as C&D is not required to be placed in a lined landfill. The County has established a two-tiered tipping fee system. The tipping fee for C&D is \$25 per ton and the tipping fee for all other commercial industrial waste is \$37 per ton. The household fee is \$100 per household per year. Nine convenience centers and one manned green box sites are now in operation throughout the County.

### **Financial Analysis of the County's Funds**

As noted earlier, Rutherford County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Rutherford County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Rutherford County's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Rutherford County. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$10,519,641, while total fund balance reached \$14,440,104. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 23.7 percent of total General Fund expenditures, while total fund balance represents 32.4 percent of that same amount.

At June 30, 2006, the governmental funds of Rutherford County reported a combined fund balance of \$23,099,175, a 14 percent increase as compared to last year. The primary reason for this increase is the debt proceeds included in the Capital Projects Funds fund balance reserved for school construction and water and sewer construction.

**General Fund Budgetary Highlights:** During the fiscal year, the County revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. Total budget amendments to the General Fund increased revenues by \$644,766. One general fund amendment which was made in Fiscal Year 2005-2006 and is worth noting was an



additional \$310,200 (lease purchase proceeds) and \$373,704 (State grant funds) for new voting machines. There were no significant variances between the amended budget and actual results. Sales tax, ad valorem tax, permits and fees, sales and services, and investment earnings exceeded budget estimates to provide positive financial results.

**Proprietary Funds.** Rutherford County's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Landfill Fund at the end of the fiscal year amounted to \$25,587. The total growth in net assets was \$230,956. Other factors concerning the finances of this fund have already been addressed in the discussion of Rutherford County's business-type activities.

### Capital Asset and Debt Administration

**Capital assets.** Rutherford County's capital assets for its governmental and business – type activities as of June 30, 2006, totals \$35,512,9560 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included the following:

- Purchased new vehicles, emergency management truck and ambulances for Public Safety
- Forest City/Dunbar Elementary and Proctor School acquired
- Constructed new Golden Valley convenience center

**Figure 4**  
**RUTHERFORD COUNTY'S CAPITAL ASSETS**  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 4,245,897	\$ 1,846,819	\$ 703,069	\$ 670,793	\$ 4,948,966	\$ 2,517,612
Buildings and system	26,403,223	22,027,783	1,731,984	1,322,391	28,135,207	23,350,174
Improvements other than buildings	45,552	61,391	-	-	45,552	61,391
Machinery and equipment	699,579	707,296	396,002	433,564	1,095,581	1,140,860
Infrastructure	-	-	-	-	-	-
Vehicles and motorized equipment	1,167,100	1,152,140	120,554	148,997	1,287,654	1,301,137
Construction in progress	-	-	-	-	-	-
<b>Total</b>	<b>\$ 32,561,351</b>	<b>\$ 25,795,429</b>	<b>\$ 2,951,609</b>	<b>\$ 2,575,745</b>	<b>\$ 35,512,960</b>	<b>\$ 28,371,174</b>

Additional information on the County's capital assets can be found in note 2(E) of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2006, Rutherford County had total bonded debt outstanding of \$13,010,000 all of which is debt backed by the full faith and credit of the County. A comparative summary of general obligation and capital lease debt outstanding follows:

**Figure 5**  
**Rutherford County's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 13,010,000	\$ 13,765,000	\$ -	\$ -	\$ 13,010,000	\$ 13,765,000
Capital leases	\$ 42,980,633	\$ 40,099,028	\$ 688,426	\$ 793,847	\$ 43,669,059	\$ 40,892,875
Total	\$ 55,990,633	\$ 53,864,028	\$ 688,426	\$ 793,847	\$ 56,679,059	\$ 54,657,875

Rutherford County's total debt increased by \$2,021,184 (3.7 percent) during the past fiscal year.

The county bond rating for the outstanding general obligation debt is "A2" with Moody Investor Service and "A+" with Fitch Ratings. The rating for the September 2002 COPS financing is "A3" with Moody Investor Service, "A-" with Standard and Poors Corporation and "A" with Fitch Ratings. The rating process normally rates COPS issues one rate lower than General Obligation issues. This achievement is a primary factor in keeping interest costs low on the County's outstanding debt.

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Rutherford County is \$272,132,348. The County has no un-issued authorized bonds at June 30, 2006.

Additional information regarding Rutherford County's long-term debt can be found in note 4 beginning on page 48 of this audited financial report.

### **Economic Factors and Next Year's Budgets and Rates**

In 2006, Rutherford County continued to see manufacturing jobs decline; while service sector jobs increased, but at a slower pace. The service sector jobs also are replacing manufacturing jobs at a lower wage rate. Indirect jobs have been created in retail and the restaurant area. In the last three years, over 1,400 jobs have been announced by new or existing businesses with a private investment of over \$70 million.

The outlook for 2006 continues to look positive provided the US economy continues its recovery. Activity from new companies considering Rutherford County continues to increase. It must be noted these companies are smaller and wages are lower. This follows the US trend in more rural counties. The technology companies paying higher

wages continue to cluster around research universities. However, the State has selected the Highway 74 Corporate Center as its home for the Second State Data Center (backup data center). This is a \$25 million State investment and will create 30 to 50 jobs. Also, residential development continues to grow throughout our County. One of the latest developments is Queen's Gap, a large resort-style residential development which includes a Jack Nicklaus signature golf course. Recently, the County's E-Rutherford initiative was chosen by The Institute for Community Inclusion as one of three in the country, along with three in the United Kingdom, for a research project that will investigate the creative and innovative ways to introduce the Internet to people who might not have had the opportunity to use it before.

### **Budget Highlights for the Fiscal Year Ending June 30, 2007**

**Governmental Activities:** Property taxes and revenues from permits and fees are expected to lead the increase in revenue projections. Budgeted expenditures in the General Fund are expected to rise by approximately eight percent to \$55,457,640. The largest increments are in employee compensation, school appropriations, funds to open the second EMS satellite station, EDC funding, and Medicaid.

In cooperation with the County and the School Board, the College is currently constructing a Lifelong Learning Center. This building will house the REACH high school program and serve as campus to several university satellite programs, enabling our residents to achieve a bachelor's degree while attending our local campus.

**Business – type Activities:** The rates for landfill services will remain unchanged.

### **Requests for Information**

This report is designed to provide an overview of the County's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Rutherford County, 289 North Main Street, Rutherfordton, NC 28139.



**Rutherford County, North Carolina**  
**Statement of Net Assets**  
**June 30, 2006**

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,738,141	\$ 1,765,390	\$ 18,503,531
Receivables (net)	2,764,589	320,186	3,084,775
Due from other governments	3,801,360	-	3,801,360
Inventories	28,819	-	28,819
Prepaid items	171,533	-	171,533
Cash and cash equivalents - restricted	3,130,472	-	3,130,472
Capital assets:			
Land and			
construction in progress	4,245,897	670,793	4,916,690
Other capital assets, net of			
depreciation	28,315,454	2,280,816	30,596,270
Total capital assets	32,561,351	2,951,609	35,512,960
Total assets	59,196,265	5,037,185	64,233,450
<b>LIABILITIES</b>			
Accounts payable and accrued			
expenses	330,242	181,641	511,883
Accrued interest payable	588,321	-	588,321
Unearned revenue	134,844	-	134,844
Long-term liabilities:			
Due within one year	6,278,970	183,727	6,462,697
Due in more than one year	50,883,158	2,383,047	53,266,205
Total liabilities	58,215,535	2,748,415	60,963,950
<b>NET ASSETS</b>			
Invested in capital assets, net of			
related debt	8,155,717	2,263,183	10,418,900
Restricted for:			
Register of Deeds	172,537	-	172,537
Enhanced 911	960,583	-	960,583
Capital projects	3,375,401	-	3,375,401
Unrestricted (deficit)	(11,683,508)	25,587	(11,657,921)
Total net assets	\$ 980,730	\$ 2,288,770	\$ 3,269,500

The accompanying notes are an integral part of these financial statements.

**Exhibit 1**

<b>Component Units</b>		
<b>Economic Development Commission</b>	<b>Rutherford County Airport Authority</b>	<b>Transit Administration</b>
\$ -	\$ -	\$ 117,585
-	-	-
-	-	34,322
-	-	-
-	-	-
-	-	-
-	423,979	-
-	2,291,081	192,711
-	2,715,060	192,711
-	2,715,060	344,618
-	-	20,284
-	-	-
-	-	-
-	-	-
-	-	-
-	-	20,284
-	2,715,060	192,711
-	-	-
-	-	-
-	-	-
-	-	131,623
\$ -	\$ 2,715,060	\$ 324,334

The accompanying notes are an integral part of these financial statements.

**Rutherford County, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

**Program Revenues**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 5,986,407	\$ 546,488	\$ 79,894	\$ 560,498
Public safety	11,805,593	3,022,527	174,084	77,211
Environmental protection	133,673	-	418,273	-
Economic and physical development	3,491,223	32,000	477,492	878,352
Human services	15,666,923	90,516	8,331,015	-
Cultural and recreation	496,255	-	-	6,500
Education	14,909,359	-	-	-
Interest on long-term debt	2,503,590	-	-	-
Total governmental activities	<u>54,993,023</u>	<u>3,691,531</u>	<u>9,480,758</u>	<u>1,522,561</u>
Business-type activities:				
Solid Waste Disposal	3,219,636	3,208,508	129,721	-
Total business-type activities	<u>3,219,636</u>	<u>3,208,508</u>	<u>129,721</u>	<u>-</u>
	<u>\$ 58,212,659</u>	<u>\$ 6,900,039</u>	<u>\$ 9,610,479</u>	<u>\$ 1,522,561</u>
Component units:				
Economic Development Commission	\$ 539,818	\$ -	\$ 539,818	\$ -
Rutherford County Airport Authority	234,761	16,336	127,562	519,728
Transit Administration	749,298	443,108	335,867	-
Total component units	<u>\$ 1,523,877</u>	<u>\$ 459,444</u>	<u>\$ 1,003,247</u>	<u>\$ 519,728</u>

General revenues:

Taxes:

Property taxes, levied for general purpose

Local option sales tax

Other taxes and licenses

Investment earnings, unrestricted

Donated real estate

Miscellaneous, unrestricted

Transfers

Total general revenues and transfers

Changes in net assets

Net assets, beginning

Net assets, ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Economic Development Commission	Rutherford County Airport Authority	Transit Administration
\$ (4,799,527)	\$ -	\$ (4,799,527)			
(8,531,771)	-	(8,531,771)			
284,600	-	284,600			
(2,103,379)	-	(2,103,379)			
(7,245,392)	-	(7,245,392)			
(489,755)	-	(489,755)			
(14,909,359)	-	(14,909,359)			
(2,503,590)	-	(2,503,590)			
(40,298,173)	-	(40,298,173)			
-	118,593	118,593			
-	118,593	118,593			
(40,298,173)	118,593	(40,179,580)			
			\$ -	\$ -	\$ -
			-	428,865	-
			-	-	29,677
			-	428,865	29,677
26,822,856	-	26,822,856	-	-	-
12,492,114	-	12,492,114	-	-	-
952,574	-	952,574	-	-	-
1,020,453	32,000	1,052,453	-	-	-
5,700,000	-	5,700,000	-	-	-
449,090	-	449,090	-	-	-
(80,365)	80,365	-	-	-	-
47,356,722	112,365	47,469,087	-	-	-
7,058,549	230,958	7,289,507	-	428,865	29,677
(6,077,819)	2,057,812	(4,020,007)	-	2,286,195	294,657
\$ 980,730	\$ 2,288,770	\$ 3,269,500	\$ -	\$ 2,715,060	\$ 324,334

The accompanying notes are an integral part of these financial statements.





**Rutherford County, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,102,157	\$ -	\$ 5,262,477	\$ 16,364,634
Receivables, net	2,354,825	-	185,442	2,540,267
Due from other governments	3,532,744	-	268,616	3,801,360
Prepaid items	171,533	-	-	171,533
Inventories	28,819	-	-	28,819
Cash and cash equivalents - restricted	-	-	3,130,472	3,130,472
Total assets	<u>\$ 17,190,078</u>	<u>\$ -</u>	<u>\$ 8,847,007</u>	<u>\$ 26,037,085</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 270,969	\$ -	\$ 59,272	\$ 330,241
Unearned revenue	132,737	-	2,107	134,844
Deferred revenue	2,346,268	-	126,557	2,472,825
Total liabilities	<u>2,749,974</u>	<u>-</u>	<u>187,936</u>	<u>2,937,910</u>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Inventories and prepaid items	200,352	-	-	200,352
State statute	3,502,227	-	327,501	3,829,728
Court facilities	217,884	-	-	217,884
Register of Deeds	-	-	131,914	131,914
Enhanced 911	-	-	864,622	864,622
Unreserved	10,519,641	-	-	10,519,641
<b>Unreserved, reported in nonmajor:</b>				
Special revenue funds	-	-	3,959,633	3,959,633
Capital projects funds	-	-	3,375,401	3,375,401
Total fund balances	<u>14,440,104</u>	<u>-</u>	<u>8,659,071</u>	<u>23,099,175</u>
Total liabilities and fund balances	<u>\$ 17,190,078</u>	<u>\$ -</u>	<u>\$ 8,847,007</u>	

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,561,351
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	224,321
Internal service funds are used by management to charge the costs of self-insurance. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	373,507
Liabilities for earned but deferred revenues in fund statements.	2,472,825
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 1).	(57,750,449)
Net assets of governmental activities	<u>\$ 980,730</u>

The accompanying notes are an integral part of these financial statements.

**Rutherford County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Ad valorem taxes	\$ 25,402,062	\$ -	\$ 1,390,105	\$ 26,792,167
Local option sales taxes	11,869,004	-	393,173	12,262,177
Other taxes and licenses	-	-	623,110	623,110
Restricted intergovernmental	8,857,410	-	2,356,125	11,213,535
Permits and fees	1,439,013	-	-	1,439,013
Sales and services	2,263,218	44,413	575,350	2,882,981
Investment earnings	733,839	-	280,951	1,014,790
Miscellaneous	377,521	-	37,513	415,034
Total revenues	<u>50,942,067</u>	<u>44,413</u>	<u>5,656,327</u>	<u>56,642,807</u>
<b>EXPENDITURES</b>				
Current:				
General government	5,279,603	-	362,299	5,641,902
Public safety	8,963,236	-	2,578,680	11,541,916
Environmental protection	122,831	-	7,824	130,655
Economic and physical development	885,745	-	3,027,513	3,913,258
Human services	15,521,178	-	-	15,521,178
Cultural and recreational	444,650	-	-	444,650
Intergovernmental:				
Education	12,513,922	-	-	12,513,922
Capital outlay	-	-	3,856,087	3,856,087
Debt service:				
Principal	768,329	4,115,741	147,124	5,031,194
Interest and other charges	34,399	2,221,296	29,033	2,284,728
Total expenditures	<u>44,533,893</u>	<u>6,337,037</u>	<u>10,008,560</u>	<u>60,879,490</u>
Revenues over (under) expenditures	<u>6,408,174</u>	<u>(6,292,624)</u>	<u>(4,352,233)</u>	<u>(4,236,683)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	478,433	6,288,183	7,464,552	14,231,168
Transfers to other funds	(6,507,933)	-	(7,803,600)	(14,311,533)
Debt issued	1,135,300	-	6,022,500	7,157,800
Total other financing sources and uses	<u>(4,894,200)</u>	<u>6,288,183</u>	<u>5,683,452</u>	<u>7,077,435</u>
Net changes in fund balances	1,513,974	(4,441)	1,331,219	2,840,752
Fund balances, beginning	12,926,130	4,441	7,327,852	20,258,423
Fund balances, ending	<u>\$ 14,440,104</u>	<u>\$ -</u>	<u>\$ 8,659,071</u>	<u>\$ 23,099,175</u>

The accompanying notes are an integral part of these financial statements.

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 2,840,752
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,065,922
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	5,654,366
The net revenue of the internal service fund is reported with governmental activities.	(74,633)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,126,605)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(301,253)
Total changes in net assets of governmental activities	\$ 7,058,549

The accompanying notes are an integral part of these financial statements.



**Rutherford County, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2006**

	<b>General Fund</b>			<b>Variance With Final Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Ad valorem taxes	\$ 24,738,128	\$ 24,738,128	\$ 25,402,062	\$ 663,934
Local option sales taxes	11,644,200	11,644,200	11,869,004	224,804
Restricted intergovernmental	8,497,459	9,019,528	8,857,410	(162,118)
Permits and fees	1,242,877	1,242,877	1,439,013	196,136
Sales and services	1,876,142	1,947,088	2,263,218	316,130
Investment earnings	360,000	360,000	733,839	373,839
Miscellaneous	193,617	245,368	377,521	132,153
Total revenues	<u>48,552,423</u>	<u>49,197,189</u>	<u>50,942,067</u>	<u>1,744,878</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	5,399,644	6,143,075	5,279,603	863,472
Public safety	8,796,958	9,065,855	8,963,236	102,619
Environmental protection	125,401	130,596	122,831	7,765
Economic and physical development	886,219	992,253	885,745	106,508
Human services	16,216,916	16,641,384	15,521,178	1,120,206
Cultural and recreational	414,185	446,500	444,650	1,850
Contingency	141,166	-	-	-
<b>Intergovernmental:</b>				
Education	12,513,922	12,513,922	12,513,922	-
Total current expenditures	<u>44,494,411</u>	<u>45,933,585</u>	<u>43,731,165</u>	<u>2,202,420</u>
<b>Debt service:</b>				
Principal retirement			768,329	
Interest and other charges			34,399	
Total debt service	<u>732,063</u>	<u>802,728</u>	<u>802,728</u>	<u>-</u>
Total expenditures	<u>45,226,474</u>	<u>46,736,313</u>	<u>44,533,893</u>	<u>2,202,420</u>
Revenues over (under) expenditures	<u>3,325,949</u>	<u>2,460,876</u>	<u>6,408,174</u>	<u>3,947,298</u>
<b>Other financing sources (uses):</b>				
Transfers from other funds	757,573	757,573	478,433	(279,140)
Transfers to other funds	(5,937,837)	(6,240,796)	(6,507,933)	(267,137)
Debt issued	662,400	1,146,600	1,135,300	(11,300)
Appropriated fund balances	1,191,915	1,875,747	-	(1,875,747)
Total other financing sources (uses)	<u>(3,325,949)</u>	<u>(2,460,876)</u>	<u>(4,894,200)</u>	<u>(2,433,324)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>1,513,974</u>	<u>\$ 1,513,974</u>
<b>Fund balances:</b>				
Beginning			12,926,130	
Ending			<u>\$ 14,440,104</u>	

The accompanying notes are an integral part of these financial statements.

**Rutherford County, North Carolina**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	<u><b>Enterprise Fund</b></u> <b>Solid Waste Disposal Fund</b>	<u><b>Internal Service Fund</b></u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,765,390	\$ 373,507
Receivables, net	320,186	-
Total current assets	<u>2,085,576</u>	<u>373,507</u>
Capital assets:		
Land, improvements, and construction in progress	670,793	-
Other capital assets, net of depreciation	2,280,816	-
Total capital assets	<u>2,951,609</u>	<u>-</u>
Total noncurrent assets	<u>2,951,609</u>	<u>-</u>
Total assets	<u>5,037,185</u>	<u>373,507</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	181,641	-
Current portion of long-term liabilities	183,727	-
Total current liabilities	<u>365,368</u>	<u>-</u>
Noncurrent liabilities:		
Accrued landfill closure and postclosure care costs	1,805,650	-
Long-term debt	577,397	-
Total noncurrent liabilities	<u>2,383,047</u>	<u>-</u>
Total liabilities	<u>2,748,415</u>	<u>-</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	2,263,183	-
Restricted	25,587	373,507
Total net assets	<u>\$ 2,288,770</u>	<u>\$ 373,507</u>

The accompanying notes are an integral part of these financial statements.

**Rutherford County, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<u><b>Enterprise Fund</b></u>	
	<b>Solid</b>	
	<b>Waste</b>	
	<b>Disposal</b>	
	<b>Fund</b>	<b>Internal</b>
		<b>Service</b>
		<b>Fund</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 3,126,132	\$ 1,738
Miscellaneous	212,097	-
Total operating revenues	<u>3,338,229</u>	<u>1,738</u>
<b>OPERATING EXPENSES</b>		
Salaries, wages, and fringe benefits	1,012,155	-
Maintenance and repairs	76,652	-
Other operating expenses	1,819,257	76,370
Landfill closure and postclosure care costs	17,370	-
Depreciation	253,891	-
Total operating expenses	<u>3,179,325</u>	<u>76,370</u>
Operating income	<u>158,904</u>	<u>(74,632)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest and investment revenue	32,000	-
Interest and other charges	(40,311)	-
Total nonoperating revenue (expenses)	<u>(8,311)</u>	<u>-</u>
Income before transfers	150,593	(74,632)
Transfers from other funds	<u>80,365</u>	<u>-</u>
Changes in net assets	230,958	(74,632)
Total net assets, beginning	<u>2,057,812</u>	<u>448,139</u>
Total net assets, ending	<u>\$ 2,288,770</u>	<u>\$ 373,507</u>

The accompanying notes are an integral part of these financial statements.



**Rutherford County, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	<u><b>Enterprise Fund</b></u>	
	<b>Solid Waste Disposal Fund</b>	<b>Internal Service Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 3,377,231	\$ -
Cash paid to employees for services	(804,709)	1,738
Cash paid for goods and services	(2,154,669)	(362,804)
Net cash provided (used) by operating activities	<u>417,853</u>	<u>(361,066)</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfers in	<u>80,365</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>80,365</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(629,755)	-
Sale of capital assets	-	-
Principal paid on long-term debt	(105,421)	-
Interest paid on long-term debt	(40,311)	-
Net cash used by capital and related financing activities	<u>(775,487)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest on investments	<u>32,000</u>	<u>-</u>
Net cash provided by investing activities	<u>32,000</u>	<u>-</u>
Net increase in cash and cash equivalents	(245,269)	(361,066)
Cash and cash equivalents, beginning of year	2,010,658	734,573
Cash and cash equivalents, end of year	<u>\$ 1,765,389</u>	<u>\$ 373,507</u>

The accompanying notes are an integral part of these financial statements.

	<u>Enterprise Fund</u> <u>Solid</u> <u>Waste</u> <u>Disposal</u> <u>Fund</u>	<u>Internal</u> <u>Service</u> <u>Fund</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ 158,904	\$ (74,632)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	253,891	-
Landfill closure and postclosure care costs	(18,511)	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	39,001	-
Increase (decrease) in accounts payable and accrued liabilities	(15,432)	(286,434)
Total adjustments	258,949	(286,434)
Net cash provided (used) by operating activities	\$ 417,853	\$ (361,066)

The accompanying notes are an integral part of these financial statements.

**Rutherford County, North Carolina**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

	Agency Funds	Trust Fund
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 228,151	\$ 984,754
	<u>228,151</u>	<u>984,754</u>
<b>LIABILITIES</b>		
Accounts payable	167,539	-
Due to other taxing units	<u>60,612</u>	<u>-</u>
	<u>228,151</u>	<u>-</u>
<b>NET ASSETS</b>		
Held in trust for pension benefits - health insurance	<u>\$ -</u>	<u>\$ 984,754</u>

The accompanying notes are an integral part of these financial statements.

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**For the year ended June 30, 2006**

	<u>Trust Fund</u>
Additions	
Charges for services	\$ 141
Interest earnings	<u>42,412</u>
Total additions	<u>42,553</u>
Deductions	
Benefits	37,894
Administrative expenses	<u>29</u>
Total deductions	<u>37,923</u>
Changes in net assets	4,630
Net assets, beginning	<u>980,124</u>
Net assets, ending	<u><u>\$ 984,754</u></u>

The accompanying notes are an integral part of these financial statements.

## **RUTHERFORD COUNTY, NORTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended June 30, 2006

#### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Rutherford County and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

##### **(A) Reporting Entity**

The County, which is governed by a five-member board of commissioners, is one of the 100 counties established in North Carolina under North Carolina General Statute 153A-10. As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component units, legally-separate entities for which the County is financially accountable. One component unit of the County has no financial transactions or account balances; therefore, it does not appear in the basic financial statements.

##### **Rutherford County Industrial Facility and Pollution Control Financing Authority**

The Rutherford County Industrial Facility and Pollution Control Financing Authority ("Authority") exists to issue and service revenue bond debt of private businesses for economic development purposes. The Authority is governed by a seven-member board of commissioners, all of whom are appointed by the County Commissioners. The County can remove any commissioner of the Authority with or without cause. The Authority has no financial transactions or account balances; therefore, it is not presented in the financial statements. The Authority does not issue separate financial statements.

The three discretely presented component units discussed below are reported in separate columns in the County's government-wide financial statements in order to emphasize that they are legally separate from the County.

##### **Economic Development Commission and Rutherford County Airport Authority**

The County appoints a majority of the Board of Directors of the Economic Development Commission ("Commission") and the Rutherford County Airport Authority ("Authority"). Operations of the Commission and Authority are budgeted and administered as a part of the general fund. The Commission and Authority do not issue separate financial statements. The Statement of Net Assets and Statement of Activities for these two governmental activity component units are discretely presented in separate columns in the government-wide financial statements.

##### **Rutherford County Transit Administration**

The Rutherford County Transit Administration, Inc. ("Transit Administration") is a non-profit corporation organized to coordinate and provide the most cost effective method of transportation services for Rutherford County. The County appoints a majority of the Board of Directors for the Transit Administration and is able to impose its will on the Transit Administration. The Transit Administration, which has a June 30 year-end, is presented as if it were a business activity component unit. The Transit Administration does not issue separate financial statements. The Statement of Net Assets and Statement of Activities include a separate column for this business-type activity.

**(B) Basis of Presentation – Basis of Accounting****Basis of Presentation, Measurement Focus - Basis of Accounting**

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

*General Fund.* This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Debt Service Fund.* The purpose of the Debt Service Fund is to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The County reports the following major enterprise fund:

*Solid Waste Fund.* This fund accounts for the solid waste collection and disposal operations and is financed with user fees.

The County also reports the following fund types:

*Internal Service Fund.* The internal service fund is used to account for the accumulation and allocation of costs associated with the County's previous self-insured group health and dental insurance programs.

*Agency Funds.* Agency funds are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains the following agency funds: the Social Services Fund, which accounts for moneys deposited with the Department of Social Services for the benefit of certain individuals; the Agriculture Department Advisory Council Fund, which accounts for monies deposited for the benefit of the Council; the Cities Tax Collection Fund, which accounts for property taxes that are billed and collected by the County for various municipalities and special districts within the County; NCDMV 3% delinquent interest, which accounts for delinquent interest received for the first month that is collected by the County and submitted to NCDMV monthly per House Bill 1779j and the Detention Center Commissary Fund, which accounts for monies deposited with the County for the benefit of inmates.

*Trust Funds.* The mental health retiree insurance trust fund is used to account for medical expenses incurred for the mental health retirees as established January 1, 2005.

### **Measurement Focus, Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the County are maintained during the year using the modified accrual basis of accounting.

*Government-wide, Proprietary, and Fiduciary Fund Financial Statements.* The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency funds which have no measurement focus. The government-wide, proprietary fund and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The County considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of January 1, 1993, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Rutherford County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the County. For those motor vehicles registered under the staggered system and for vehicles newly registered under the annual system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March 2005 through February 2006 apply to the fiscal year ended June 30, 2006. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. For motor vehicles that are renewed and billed under the annual system, taxes are due on May 1 of each year and the uncollected taxes are reported as a receivable on the financial statements offset by deferred revenues because the due date and the date upon which the interest begins to accrue passed prior to June 30. The taxes for renewal vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2006 because they are intended to finance the County's operations during the 2006 fiscal year.

Sales taxes collected and held by the State at year-end on behalf of the County are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The County has implemented GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and related standards. These new standards provide for significant changes in terminology and presentation and for the inclusion of Management's Discussion and Analysis as required supplementary information.

(C) **Budgetary Data**

The County's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general, the special revenue, the debt service and enterprise funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the capital projects funds. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for the general fund, at the departmental level for the special revenue and proprietary funds, and at the object level for the capital projects funds. All amendments at the functional level must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material.



A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of the budget procedure are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

April 30 - Each department head will transmit to the budget officer the budget requests and revenue estimates for their department for the budget year.

June 1 - The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time.

July 1 - The budget ordinance shall be approved by the governing board.

(D) **Assets, Liabilities, and Fund Equity**

(1) **Deposits and Investments**

The deposits of the County and Transit Administration are made in board-designated official depositories and are secured as required by G.S. 159-31. The County and Transit Administration may designate, as an official depository, any bank, or savings association whose principal office is located in North Carolina. The County and Transit Administration may also establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law (G.S. 159-30(c)) authorizes the County and Transit Administration to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The County and Transit Administration's investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, an SEC-registered (2a-7) money market mutual fund are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Non-participating interest earnings and investment contracts are reported at amortized cost.

(2) **Cash and Cash Equivalents**

The County pools money from several funds to facilitate disbursement and investment and maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

(3) **Restricted Assets**

Cash and cash equivalents held in escrow are restricted as follows:

Reserved for school construction	\$ 1,439,984
Reserved for county buildings construction	<u>1,690,488</u>
	<u>\$ 3,130,472</u>

**(4) Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the County levies ad valorem taxes on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, penalties and interest do not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2005. As allowed by State law, the County has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the County's General Fund, ad valorem tax revenues are reported net of such discounts.

**(5) Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**(6) Inventory**

The inventories of the County are valued at cost (first-in, first-out), which approximates market. The inventories are held for consumption and the costs are recorded as expenditure when consumed.

**(7) Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Minimum capitalization cost is \$5,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The County holds title to certain Rutherford County Board of Education properties that have not been included in capital assets. The properties have been deeded to the County to permit installment purchase financing of acquisition and construction costs and to permit the County to receive refunds of sales tax paid for construction costs. Agreements between the County and the Board of Education give the Board of Education full use of the facilities, full responsibility for maintenance of the facilities, and provide that the County will convey title to the property back to the Board of Education, once all restrictions of the financing agreements and all sales tax reimbursement requirements have been met. The properties are reflected as capital assets in the financial statements of the Rutherford County Board of Education.

Capital assets of the County are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Improvements	25
Furniture and equipment	10
Vehicles	6
Computer equipment	3

**(8) Long-Term Obligations**

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as another financing source.

(9) **Compensated Absences**

The vacation policies of the County provide for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the County's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned.

The sick leave policies of the County provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since none of the entities have any obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made by the County or its component units.

(10) **Net Assets/Fund Balances**

**Net Assets**

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**Fund Balances**

In the governmental fund financial statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts the appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

**Reserved**

Reserved for inventories and prepaid items - portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories and prepaid items, which are not expendable, available resources.

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for inventories, which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and interfund receivables that are not offset by deferred revenues.

Reserved for Court Facilities – portion of fund balance available for court facilities.

Reserved for register of deeds – portion of fund balance available to pay for computer and imaging technology in the office of the register of deeds.

Reserved for Enhanced 911 expenditures – portion of fund balance available for lease, purchase or maintenance of emergency telephone equipment for the enhanced 911 systems (including necessary computer hardware, software and data base provisioning), the nonrecurring cost of establishing a wireless enhanced 911 system, and rates associated with the local telephone companies' charges related to the operation of the enhanced 911 system.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2006-2007 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

(E) **Reconciliation of Government-wide and Fund Financial Statements**

- (1) Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. The net adjustment of (\$22,118,445) consists of several elements as follows:

**Description**

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in the governmental activities column)	\$ 47,464,396
Less accumulated depreciation	<u>(14,903,045)</u>
Net capital assets	32,561,351
Accrued interest receivable less the amount claimed as unearned revenue in the government-wide statements as these funds are not available and therefore deferred in the fund statements.	224,321
Net assets of the internal service fund is reported with governmental funds	373,507
Liabilities for revenue deferred but earned and therefore recorded in the fund statements but not the government-wide.	2,472,825
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Bonds, leases and installment financing	(55,990,633)
Compensated absences and pension	(1,171,495)
Accrued interest payable	<u>(588,321)</u>
Total Adjustment	<u>\$ (22,118,445)</u>

- (2) Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities. The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. There are several elements of that total adjustment of \$4,217,797 as follows:

**Description**

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of net assets.	\$ 3,283,662
Depreciation expense, the allocation of those assets over their useful lives that is recorded on the statement of activities but not in the fund statements.	(2,217,740)
New debt issued during the year is recorded as a source of funds on the fund statements; it has no effect on the statement of activities – it affects only the government-wide statement of net assets	(7,157,800)
Internal service funds are used by management to charge the costs self-insurance. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets	(74,633)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements	5,031,195
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual)	(238,278)
Pension obligations are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(28,386)
Compensated absences are accrued in the government-wide statements but not in the fund statements because they do not use current resources	(34,589)

Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:

Donated capital assets	5,700,000
Reversal of deferred interest revenue recorded at July 1, 2005	(216,238)
Recording of interest revenue deferred in fund statements at June 30, 2006	224,322
Reversal of deferred tax revenue recorded at July 1, 2005	(1,627,989)
Recording of tax receipts deferred in the fund statements as of June 30, 2006	1,658,679
Reversal of other deferred revenue recorded at July 1, 2005	(898,555)
Recording of other revenues deferred in fund statements as of June 30, 2006	<u>814,147</u>
Total adjustment	<u>\$ 4,217,797</u>

**(F) Comparative Data/Reclassifications**

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the County's financial position and operations. Comparative totals have not been included on the statements where their inclusion would not provide enhanced understanding of the County's financial position and operations or would cause the statements to be unduly complex or difficult to understand. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

**Note 2 - Assets****(A) Deposits**

All of the County and Transit Administration's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage level are collateralized with securities held by the County and Transit Administration's agents in those units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the County and Transit Administration, these deposits are considered to be held by their agents in the entities' names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the County, Transit Administration, or the escrow agent. Because of the inability to measure, the exact amount of collateral pledged for the County under the Pooling Method, the potential exists for undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At June 30, 2006, the County's deposits had a carrying amount of \$6,273,228 and a bank balance of \$6,833,083. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$6,333,083 in interest bearing deposits were covered by collateral held under the Pooling Method.

The County also had petty cash on hand at June 30, 2006 of \$1,690.

The Transit Administration's deposits had a carrying amount and bank balance of \$117,585 all of which was covered by federal depository insurance.

**(B) Investments**

At June 30, 2006, the County's investments consisted of \$16,571,990 in the North Carolina Capital Cash Management Trust's Cash Portfolio, which carried a credit rating of AAAM by Standard and Poor's.

**Interest Rate Risk.** As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy mitigates interest rate risk by investing in shorter-term securities.

**Credit Risk.** The County's policy is to limit investments to the provisions of G.S. 159-30 and restrict the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's policy is to limit investments to the provisions of G.S. 159-30. In fiscal year ended June 30, 2006, the County only invested in North Carolina Capital Cash Management Trust's Cash Portfolio and as of June 30, 2006, had no investment securities with a counterparty.

**(C) Property Tax-Use-Value Assessment on Certain Lands**

In accordance with the general statutes, agriculture, horticulture and forestland may be taxed by the County at the present-use value as opposed to market value. When the property loses its eligibility for use-value taxation, the property tax is recomputed at market value for the current year and the three preceding fiscal years, along with the accrued interest from the original date. This tax is

immediately due and payable. The following are property taxes that could become due if present use-value eligibility is lost. These amounts have not been recorded in the financial statements.

<u>Year Levied</u>	<u>Tax</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 431,490	\$ 102,479	\$ 533,969
2004	448,564	66,163	514,727
2005	450,612	25,910	476,522
2006	455,399	-	455,399
Total	\$ 1,786,065	\$ 194,552	\$ 1,980,617

(D) Receivables

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Special Assessments</u>	<u>Due from Other Governments</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:						
General	\$ 1,942,797	\$2,351,442	\$ -	\$ 3,532,744	\$ -	\$ 7,826,983
Other Governmental	58,885	126,557	-	268,616	-	454,058
Total receivables	2,001,682	2,477,999	-	3,801,360	-	8,281,041
Allowance for doubtful accounts	1,120,092	595,000	-	-	-	1,715,092
Total governmental activities	\$ 881,590	\$1,882,999	\$ -	\$ 3,801,360	\$ -	\$ 6,565,949
Business-type Activities:						
Solid waste	\$ 343,186	\$ -	\$ -	\$ -	\$ -	\$ 343,186
Total receivables	343,186	-	-	-	-	343,186
Allowance for doubtful accounts	23,000	-	-	-	-	23,000
Total - business-type activities	\$ 320,186	\$ -	\$ -	\$ -	\$ -	\$ 320,186

The due from other governments that is owed to the County consists of the following:

Local option sales tax	\$ 3,244,275
Other	557,085
Total	\$ 3,801,360



**(E) Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

**Primary Government**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,846,819	\$ 399,000	\$ 19,400	\$ 2,226,419
Construction in progress	—	2,019,478	—	2,019,478
Total capital assets not being depreciated	<u>1,846,819</u>	<u>2,418,478</u>	<u>19,400</u>	<u>4,245,897</u>
Capital assets being depreciated:				
Buildings	29,037,553	6,065,463	99,000	35,004,016
Other improvements	486,697	—	—	486,697
Equipment	3,354,606	234,247	81,817	3,507,036
Vehicles	3,846,304	374,446	—	4,220,750
Total capital assets being depreciated	<u>36,725,160</u>	<u>6,674,156</u>	<u>180,817</u>	<u>43,218,499</u>
Less accumulated depreciation for:				
Buildings	7,009,770	1,600,451	9,248	8,600,793
Other improvements	425,306	15,839	—	441,145
Equipment	2,647,310	241,964	81,817	2,807,457
Vehicles	2,694,164	359,486	—	3,053,650
Total accumulated depreciation	<u>12,776,550</u>	<u>2,217,740</u>	<u>91,245</u>	<u>14,903,045</u>
Governmental activities capital assets, net	<u>23,948,610</u>			<u>28,315,454</u>
	<u>\$25,795,429</u>			<u>\$32,561,351</u>
<b>Business-type activities:</b>				
Solid Waste Disposal				
Capital assets not being depreciated:				
Land	\$ 670,793	\$ 32,776	\$ —	\$ 703,069
Total capital assets not being depreciated	<u>670,793</u>	<u>32,776</u>	<u>—</u>	<u>703,069</u>
Capital assets being depreciated:				
Buildings and improvements	2,622,776	558,563	—	3,181,339
Equipment	1,505,623	38,916	—	1,544,539
Vehicles	423,162	—	—	423,162
Total capital assets being depreciated	<u>4,551,561</u>	<u>597,479</u>	<u>—</u>	<u>5,149,040</u>
Less accumulated depreciation for:				
Buildings and improvements	1,300,385	148,970	—	1,449,355
Equipment	1,072,059	76,478	—	1,148,537
Vehicles	274,165	28,443	—	302,608
Total accumulated depreciation	<u>2,646,609</u>	<u>253,891</u>	<u>—</u>	<u>2,900,500</u>
Total capital assets being depreciated, net	<u>1,904,952</u>			<u>2,248,540</u>
Solid Waste Disposal capital assets, net	<u>\$ 2,575,745</u>			<u>\$ 2,951,609</u>

## Depreciation Expense:

## Governmental activities:

General Government	\$ 304,955
Public Safety	589,260
Economic and physical development	50,208
Environmental Protection	2,273
Human services	141,308
Cultural and recreational	42,566
Education	1,087,170
Total depreciation expense	<u>\$ 2,217,740</u>

## Business-type activities:

Solid Waste Disposal	\$ 253,891
	<u>\$ 253,891</u>

Discreetly presented component units	Beginning Balances	Increases	Decreases	Ending Balances
Airport				
Capital assets not being depreciated:				
Land	\$ 423,979	\$ —	\$ —	\$ 3,071,783
Total capital assets not being depreciated	423,979	—	—	3,071,783
Capital assets being depreciated:				
Buildings and improvements	2,622,235	449,548	—	3,071,783
Equipment	84,493	70,180	—	154,673
Total capital assets being depreciated	2,706,728	519,728	—	3,226,456
Less accumulated depreciation for:				
Buildings and improvements	760,019	90,863	—	850,882
Equipment	84,493	—	—	84,493
Total accumulation depreciation	844,512	90,863	—	935,375
Rutherford County Regional Airport capital assets, net	1,862,216			2,291,081
	<u>\$ 2,286,195</u>			<u>\$ 2,715,060</u>
Transit				
Capital assets being depreciated:				
Equipment	\$ 17,617	\$ —	\$ —	\$ 17,167
Vehicles	790,577	90,109	—	880,686
Total capital assets being depreciated	807,744	90,109	—	897,853
Less accumulated depreciation for:				
Equipment	16,529	638	—	17,167
Vehicles	599,426	88,549	—	687,975
Total accumulated depreciation	615,955	89,187	—	705,142
Total capital assets being depreciated, net	191,789			192,711
Rutherford County Transit Administration capital assets, net	<u>\$ 191,789</u>			<u>\$ 192,711</u>

**Note 3 - Liabilities****(A) Payables**

Payables at the government-wide level at June 30, 2006, were as follows:

	<u>Vendors</u>	<u>Salaries and Accrued Benefits</u>	<u>Interest</u>	<u>Total</u>
Governmental Activities				
General	\$ 270,970	\$ -	\$ 588,321	\$ 859,291
Other Governmental	59,272	-	-	59,272
Total-governmental activities	\$ 330,242	\$ -	\$ 588,321	\$ 918,563
Business-type Activities				
Solid waste	\$ 153,253	\$ 28,388	\$ -	\$ 181,641
Total - business-type activities	\$ 153,253	\$ 28,388	\$ -	\$ 181,641

**(B) Pension Plan Obligations****North Carolina Local Governmental Employees' Retirement System**

*Plan Description:* The County and component units contribute to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy:* Plan members are required to contribute six percent of their annual covered salary. The County, Rutherford County Transit Administration, and Economic Development Commission are required to contribute at an actuarially determined rate. For County employees not engaged in law enforcement, Rutherford County Transit Administration employees, and Economic Development Commission employees, the current rate is 4.93% of annual covered payroll. For County law enforcement officers the current rate is 4.78% of annual covered payroll. The contribution requirements of members and of the County, Rutherford County Transit Administration, and Economic Development Commission are established and may be amended by the North Carolina General Assembly. The County's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$1,260,574, \$1,191,082, and \$1,102,837 respectively. The Rutherford County Transit Administration's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$19,827, \$19,311 and \$15,647, respectively. The Economic Development Commission's contributions to LGERS for the years ended June 30, 2006, 2005, and 2004 were \$16,207, \$15,115 and \$14,682 respectively. The contributions made by the County, Rutherford County Transit Administration, and Economic Development Commission equaled the required contributions for the year.

**Law Enforcement Officers Special Separation Allowance**

*Plan Description:* The County administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the County's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases

in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. There are no separately reported pension trust fund financial statements as it is being funded by a pay-as-you-go basis and no assets have been accumulated.

All full-time law enforcement officers of the County are covered by the Separation Allowance. At December 31, 2005, the Separation Allowance's membership consisted of:

Retirees receiving benefits	6
Active plan members	<u>59</u>
Total	<u>65</u>

*Summary of Significant Accounting Policies:*

- a. *Basis of Accounting:* The County has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting.
- b. *Method Used to Value Investments:* No funds are set aside to pay benefits and administration costs. These expenditures are paid as they come due.

*Contributions:* the County is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The County's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees.

The annual required contribution for the current year was determined as part of the December 31, 2004 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included: (a) 7.25% investment rate of return (net of administrative expenses); and (b) projected salary increases ranging from 5.9% to 9.8% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include postretirement benefit increases. The actuarial value of assets was market value. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2004 was 26 years.

*Annual Pension Cost and Net Pension Obligation:* The County's annual pension cost and net pension obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 80,998
Interest on net pension obligation	20,066
Adjustment to annual required contribution	<u>(15,896)</u>
Annual pension cost	85,168
Contributions made	<u>56,782</u>
Increase in net pension obligation	28,386
Net pension obligation beginning of year	<u>276,773</u>
Net pension obligation end of year	<u>\$ 305,159</u>

**Three Year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 85,168	66.67%	\$ 305,159
6/30/05	75,293	73.31%	276,773
6/30/04	68,524	63.05%	256,679

**Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description:* the County contributes to the Supplemental Retirement Income Plan (the Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the County. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

*Funding Policy:* Article 12E of G.S. Chapter 143 requires the County to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2006 were \$145,190, which consisted of \$118,881 from the County and \$26,309 from the law enforcement officers.

**Supplemental Retirement Income Plan for General Employees**

*Plan Description:* The County, Rutherford County Transit Administration, and Economic Development Commission voluntarily contribute to the Supplemental Retirement Income Plan for all full-time non-law enforcement employees.

*Funding Policy:* The County, Rutherford County Transit Administration, and Economic Development Commission contribute each month an amount equal to 4% of each full-time non-law enforcement employee's salary. Employee contributions are voluntary. An additional amount equal to one percent of an employee's salary is contributed by the County, Rutherford County Transit Administration, and Economic Development Commission each month for those employees who have chosen to contribute at least one percent themselves. All amounts are vested immediately. Contributions for the fiscal year ended June 30, 2006 were \$602,738, which consisted of \$443,549 from the County and \$159,189 from the employees. Contributions for Rutherford County Transit Administration employees for the fiscal year ended June 30, 2006 were \$11,501, which consisted of \$8,873 from the Rutherford County Transit Administration and \$2,628 from the employees. Contributions for Economic Development Commission employees for the fiscal year ended June 30, 2006 were \$8,866, which consisted of \$7,414 from the Economic Development Commission and \$1,452 from the employees.

**Postemployment Benefits**

In addition to providing pension benefits, the County has elected to provide postretirement health benefits to retirees of the County who participate in the North Carolina Local Governmental Employees' Retirement System (System). For employees hired prior to August 1, 2005, that have twenty years of creditable service with the County, the County pays the full cost of coverage for these benefits. For employees hired on or after August 1, 2005, the County pays 50% of the health insurance premiums and limited to one-half of FY 2005-2006 rates.

Currently, 52 retirees are eligible for postretirement health benefits. For the fiscal year ended June 30, 2006, the County made payments for postretirement health benefit premiums of \$167,355. The County is not obligated by statutory, contractual or other authority to make contributions for postemployment benefits.

The County, Rutherford County Transit Administration, and Economic Development Commission, have elected to provide death benefits to employees through the *Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan)*, a multiple-

employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit will be a minimum of \$25,000 and will not exceed \$50,000. All death benefit payments are made from the Death Benefit Plan. The County, Rutherford County Transit Administration, and Economic Development Commission, have no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the County, Rutherford County Transit Administration, nor Economic Development Commission, the County, Rutherford County Transit Administration, and Economic Development Commission, do not determine the number of eligible participants. For the fiscal year ended June 30, 2006, the County made contributions to the State for death benefits of \$15,273. The County's required contributions for employees not engaged in law enforcement and for law enforcement officers represented .13% and .14% of covered payroll, respectively. For the fiscal year ended June 30, 2006, the Rutherford County Transit Administration, and Economic Development Commission made required contributions of \$236 and \$193, respectively representing .13% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the postemployment benefit amount and the other benefit amount.

#### Registers of Deeds' Supplemental Pension Fund

**Plan Description:** The County also contributes to the Registers of Deeds' Supplemental Pension Fund (Fund), which is a non-contributory defined contribution plan administered by the North Carolina Department of the State Treasurer. The Fund provides supplemental pension benefits to any eligible county register of deeds who is retired under the Local Government Employees' Retirement System (LGERS) or an equivalent locally sponsored plan. Article 3 of G.S. Chapter – 161 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**Funding Policy:** On a monthly basis, the County remits to the Department of State Treasurer an amount equal to four and one-half percent (4.5%) of the monthly receipts collected pursuant to Article 1 of G.S. 161. Immediately following January 1 of each year, the Department of State Treasurer divides ninety-three percent (93%) of the amount in the Fund at the end of the preceding calendar year into equal shares to be disbursed as monthly benefits. The remaining seven percent (7%) of the Fund's assets may be used by the State Treasurer in administering the Fund.

For the year ended June 30, 2006, the County's required and actual contributions were \$22,439.

#### Deferred Compensation Plans

The County offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans are administered by Equitable Assurance Company and Public Employees Benefit Service Corporation (PEBSO). The plans, available to all County employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The County has complied with changes in the laws which govern the County's Deferred Compensation Plan, requiring all assets of the plan to be held in trust for the exclusive benefit of the participants and their beneficiaries. Formerly, the undistributed amounts which had been deferred by the plan participants were required to be reported as assets of the County. In accordance with GASB Statement 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the County's Deferred Compensation Plan is no longer reported within the County's Agency Funds.

**(B) Deferred / Unearned Revenues**

The balance in deferred revenue on the fund statements and unearned revenues on the government-wide statements at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
Prepaid taxes not yet earned (General)	\$ —	\$ 132,737
Prepaid taxes not yet earned (Special Revenue)	—	2,107
Taxes receivable, net (General)	1,532,120	—
Taxes receivable, net (Special Revenue)	126,557	—
Other receivable, (General)	814,148	—
	<u>\$ 2,472,825</u>	<u>\$ 134,844</u>

**(C) Risk Management**

The County is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The County participates in two self-funded risk financing pools administered by the Risk Management Agency of the North Carolina Association of County Commissioners. Through these pools, the County obtains property coverage equal to replacement cost values of owned property subject to a limit of \$250 million for any one occurrence, general, auto, and professional liability coverage of \$2 million per occurrence, auto physical damage coverage for owned autos at actual cash value, crime coverage of \$250,000 per occurrence, and worker's compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 up to \$2 million limit for general liability coverage, \$600,000 of aggregate annual losses in excess of \$50,000 per occurrence for property, auto physical damage, and crime coverage, and single occurrence losses of \$350,000 for workers' compensation.

The County's insurance through the North Carolina Association of County Commissioners Liability and Property Pool also covers losses due to flood with a \$25,000 deductible per occurrence. Because the County is in area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the County is eligible to purchase coverage of \$500,000 per structure through the NFIP.

From July 1, 2003 through June 30, 2005, the County participated in a self-insured pool with the Rutherford/Polk Mental Health District and the Rutherford/Polk/McDowell Public Health District to provide health and dental benefits to employees. To account for the activities of the self-funded pool, the County established an Internal Service Fund. All three entities contributed to the pool on the same basis. The employees of each agency shared the common benefits and the common obligations of the pool. Expenditures from the Internal Service Fund for Fiscal Year 2005-2006 were to pay for claims incurred but not reported on or before June 30, 2005 and the administration of said claims. Based on a run out period of eighteen months, effective January 1, 2007 claims can no longer be submitted under this plan for consideration. Based on the incurred but not reported claims estimate at June 30, 2005 of \$215,974 and the balance in the fund of \$373,507 as of June 30, 2006, the pool will have sufficient funds available to pay all remaining claims. Any remaining funds at the pool's dissolution will be distributed among the entities on the same basis.

Effective July 1, 2005 the benefit plan transitioned back to a fully insured plan. Participants in the current fully insured plan include all full-time agency employees, all retired employees with more than twenty years of service, all disabled retired employees and other participants who have the option to participate at their own expense (employee family members and terminated employees up to 18 months after termination). As of June 30, 2006, the program had 411 active participants. The plan provides medical coverage up to a lifetime maximum of \$2,000,000 per employee. Dental coverage is provided up to a maximum of \$1,500 per employee per year other than orthodontics, which is a lifetime maximum of \$2,000 per eligible employee. The Insurance Plan Administrators

for the fiscal year ended June 30, 2006 were North Carolina State Health Plan for medical and Securian for dental.

The County carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage from the previous year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Rutherford Polk Mental Health Authority officially dissolved June 30, 2005. As of December 31, 2003, the Rutherford Polk Mental Health ceased employment and Western Highlands LME served as the local management entity to coordinate services in the area. An actuarial study was performed in October, 2003 that determined the actuarially-determined value of the promised benefits to retirees were \$965,000. Following discussion with the Rutherford County Commissioners and Rutherford Polk Mental Health Authority, the boards agreed that \$1,061,500 would be sent to the County from the existing Rutherford Polk Mental Health Authority to be held in trust to pay retiree healthcare benefits. In December 2003, the trust fund was established to continue health insurance for twelve mental health retirees as defined by the agreement.

(D) **Claims and Judgments**

At June 30, 2006, the County was a defendant to various lawsuits. In the opinion of the County's management, the ultimate effect of these legal matters will not have a material adverse effect on the County's financial position.



**Note 4 - Long-Term Debt**

The County has financed various property acquisitions including vehicles, buildings, equipment and furniture by lease purchase, private placement and certificates of participation (COP's).

The following is an analysis of assets recorded under capital leases as of June 30:

Buildings	\$16,539,447
Vehicles	3,325,269
Equipment	1,264,999
Furniture	<u>27,628</u>
	<u>\$21,157,343</u>

The following installment purchases are included in Long-Term Debt:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>
<u>Governmental Activities</u>				
<u>Serviced by the General Fund:</u>				
Vehicle lease purchase agreement, monthly payments of \$1,733, including interest at 4.49%, through July, 2006	\$ 21,955	\$ —	\$ 20,228	\$ 1,727
Vehicle lease purchase agreement, monthly payments of \$16,747, including interest at 2.88%, through January, 2006	116,209	—	116,109	—
Vehicle lease purchase agreement, monthly payments of \$21,972, including interest at 1.98% through January, 2007	410,654	—	257,862	152,792
Vehicle and equipment lease purchase agreement, monthly payments of \$21,767, including interest at 2.68% through January, 2008	726,903	—	275,435	451,468
Vehicle and equipment lease purchase agreement, monthly payments of \$19,090, including interest at 3.54% through February 2009	—	651,300	69,022	582,278
Equipment lease purchase agreement, monthly payments of \$8,813, including interest at 3.54% through February, 2011	—	484,000	29,674	454,326

Serviced by ROD Automation Funds

Equipment lease purchase agreement, monthly payments of \$4,920, including interest at 2.68% through January, 2008

147,197	—	55,575	91,422
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Serviced by E 911 Funds

Equipment lease purchase agreement, monthly payments of \$4,394, including interest at 3.9% through November, 2007

121,420	—	48,861	72,559
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Equipment lease purchase agreement, monthly payments of \$3,748, including interest at 2.68% through January, 2008

112,130	—	42,488	69,642
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Serviced by the Debt Service Funds

Public facilities lease purchase agreement, monthly payments of \$4,441, including interest at 4.97% through May, 2006

47,660	—	47,660	—
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Public facilities project lease purchase agreement, interest at 4.74% through July, 2016

2,875,000	—	250,000	2,625,000
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Public facilities project certificates of participation, interest at 1.5% due semiannually to 2023

28,080,000	—	1,165,000	26,915,000
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Public facilities project certificates of participation, interest at 2% to 5% due semiannually to 2023

7,440,000	—	300,000	7,140,000
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Public facilities project private placement, interest at 3.55% due semiannually to 2020

—	4,502,500	78,081	4,424,419
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Total capital leases and COPs

\$40,099,028	\$ 5,637,800	\$ 2,756,195	\$42,980,633
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The County has also entered into similar agreements to lease certain buildings and equipment for the Solid Waste Collection Centers. These leases which are accounted for in the Solid Waste Fund are as follows:

	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
<u>Capital Leases -</u>				
<u>Solid Waste Enterprise Fund:</u>				
Equipment and building lease purchase agreement, semiannual payments of \$72,866, including interest at 5.25% through October, 2011	\$ 793,847	\$ —	\$ 105,421	\$ 688,426
Total capital leases	\$ 793,847	\$ —	\$ 105,421	\$ 688,426

The general obligation bonds are issued to finance the construction of County facilities. All bonds are collateralized by the faith, credit and taxing power of the County. These bonds are being serviced by the Debt Service Fund.

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>
<b>General Obligation Bonds</b>				
Refunding bonds, 2003A \$148,000 issue interest at 3.5% to 4.7%, payable semiannually, due serially 2023	\$ 1,410,000	\$ —	\$ 65,000	\$ 1,345,000
Refunding bonds, 2003B \$16,946,000 issue interest at 3.0% to 4.5%, payable semiannually, due serially 2011	12,355,000	—	2,210,000	10,145,000
General obligation bonds, 2006 \$1,520,000 issue interest at 3.65% to 4.4%, payable semiannually, due serially 2026	—	1,520,000	—	1,520,000
Total general obligation bonds	<u>\$13,765,000</u>	<u>\$ 1,520,000</u>	<u>\$ 2,275,000</u>	<u>\$13,010,000</u>

A summary of changes in the County's long-term obligations follows:

	<u>Long-Term Debt July 1, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>	<u>Current Portion of Balance</u>
<b>Governmental Activities</b>					
By type of debt:					
General obligation bonds	\$13,765,000	\$ 1,520,000	\$ 2,275,000	\$13,010,000	\$ 2,335,000
Capital leases	40,099,028	5,637,800	2,756,195	42,980,633	3,077,634
Pension liability	276,773	85,168	56,782	305,159	—
Vacation pay	831,747	757,078	722,489	866,336	866,336
Total	<u>\$54,972,548</u>	<u>\$ 8,000,046</u>	<u>\$ 5,810,466</u>	<u>\$57,162,128</u>	<u>\$ 6,278,970</u>
By purpose:					
School	\$40,540,000	\$ 4,502,500	\$ 3,413,081	\$41,629,419	
General government -equipment	1,656,368	1,135,300	915,454	1,876,214	
General government -public facilities	11,667,660	1,520,000	702,660	12,485,000	
Pension liability	276,773	85,168	56,782	305,159	
Vacation pay	831,747	757,078	5,810,466	57,162,128	
Total	<u>\$54,972,548</u>	<u>\$ 8,000,046</u>	<u>\$ 5,810,466</u>	<u>\$57,162,128</u>	
Reconciliation:					
Current portion				\$ 6,278,970	
Subsequent years				<u>50,883,158</u>	
				<u>\$57,162,128</u>	

	Long-Term Debt			Balance	Current Portion
	July 1, 2005	Additions	Retirements	June 30, 2006	of Balance
Business-type Activities					
Capital lease – equipment	\$ 793,847	\$ –	\$ 105,421	\$ 688,426	\$ 111,029
Accrued landfill	1,896,859	–	18,511	1,878,348	72,698
	<u>\$ 2,690,706</u>	<u>\$ –</u>	<u>\$ 123,932</u>	<u>\$ 2,566,774</u>	<u>\$ 183,727</u>

Compensated absences typically have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

The following table summarizes the annual requirements to amortize all long-term debt outstanding at June 30, 2006 (excluding vacation pay and pension obligation):

	<u>General Obligation Bonds</u>		<u>Capitalized Lease</u>		<u>Certificate of Participation</u>		<u>Total Debt Due</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Governmental Activities Long-Term Debt:								
2006/07	\$2,335,000	\$ 416,931	\$ 892,290	\$ 46,380	\$ 2,185,344	\$1,751,381	\$ 5,412,634	\$2,214,692
2007/08	2,255,000	355,131	564,450	23,109	2,306,086	1,675,039	5,125,536	2,053,279
2008/09	2,180,000	290,081	248,550	9,933	2,322,035	1,603,272	4,750,585	1,903,286
2009/10	2,110,000	222,031	101,345	4,417	2,343,196	1,525,447	4,554,541	1,751,895
2010/11	2,040,000	156,081	69,581	927	2,449,291	1,445,401	4,558,872	1,602,409
2010/15	775,000	380,744	—	—	12,948,141	5,529,220	13,723,141	5,909,964
2015/16	1,315,000	288,081	—	—	16,550,327	2,882,745	17,865,327	3,170,826
Total	\$13,010,000	\$2,109,080	\$ 1,876,216	\$ 84,766	\$41,104,420	\$16,412,505	\$55,990,636	\$18,606,351

Business Activities Debt:

	Capitalized Leases	
	Principal	Interest
2006/07	\$ 111,029	\$ 34,704
2007/08	116,934	28,798
2008/09	123,154	22,579
2009/10	129,704	16,028
2010/11	136,603	9,130
2010/13	71,002	1,864
Total	<u>\$ 688,426</u>	<u>\$ 113,103</u>

At June 30, 2006, the County had a legal debt margin of approximately \$272,132,348.

Conduit Debt Obligations

Rutherford County Industrial Facility and Pollution Control Financing Authority has issued industrial revenue bonds to provide financial assistance to private businesses for economic development purposes. These bonds are secured by the properties financed as well as by letters of credit and are payable solely from payments received from the private businesses involved. Ownership of the acquired facilities is in the name of the private business served by the bond issuance. Neither the County, the Authority, the State, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, there were three series of industrial revenue bonds outstanding, with issued amounts totaling \$10,500,000 and an aggregate principal amount payable of \$5,790,000.

**Note 5 - Closure and Postclosure Care Costs - Rutherford County Central Landfill**

Effective January 1, 1998, the State began requiring that all municipal solid waste (MSW) be placed in a lined landfill. Therefore, Rutherford County closed the Rutherford County Central Landfill on December 31, 1997. State and federal laws and regulations require the County to place a final cover on this landfill upon its closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although the County has just recently started to incur closure and postclosure care costs, the County has been reporting a portion of these costs as an operating expense for the past several years based on landfill capacity consumed as of each balance sheet date. During the year ended June 30, 2006, the County expended \$18,511 of postclosure care costs. The \$1,876,348 accrual reported on the Statement of Net Assets is the present value of estimated postclosure care costs at June 30, 2006. Actual costs may vary due to inflation, changes in technology, or changes in regulations.

Changes in the post closure care cost liabilities follows:

Estimate, June 30, 2005	\$ 1,896,859
Retirement	( 18,511)
Estimate, June 30, 2006	<u>\$ 1,876,348</u>

The County has met the requirements of a local government financial test that is one option under State and federal laws and regulations that help determine if a unit is financially able to meet closure and postclosure care requirements. However, the County has also elected to establish a reserve fund to accumulate resources for the payment of closure and postclosure care costs. Transfers of \$1,857,837 were made to the Solid Waste Reserve Fund during prior years.

**Note 6 - Interfund Activities****Transfers to/from other funds at June 30, 2006 consist of the following:**

From	To	For	Amount
General	School Capital Reserve	Sales tax collections designated school construction	\$4,313,094
General	Building Capital Reserve	Sales tax collection designated for facilities	1,074,879
General	Reappraisal	Contribution for reappraisal expenses	187,632
General	Debt Service	Payment of economic development debt	152,330
General	Water & Service Project	Sales tax collections designated utility construction	253,565
General	Register of Deeds Automation	Accumulate resources for office automation	98,475
General	Grant	Local funds for airport improvements	10,000
General	Grant	Local funds for Realize Rutherford project	6,376
General	Grant	Local funds for Hwy 74 corp center project	272,083
General	Grant	Local match for economic development grants	14,500
General	Solid Waste	Reimbursement of prior year transfer	125,000
Building Capital Reserve	Debt Service	Payment of building construction debt	1,042,730
Building Capital Reserve	General	College	153,000
Building Capital Reserve	Grant	Provide local share for airport improvements	8,801
School Capital Reserve	Debt Service	Payment of school construction debt	5,089,649
School Capital Reserve	General	School special project	210,000
Enhanced 911	Reappraisal	Mapping expenses	23,827
Grant	General	Reimbursement of local funds for airport improvements	70,798
Fire Districts	Debt Service	Hollis VFD contribution to debt service for payment	3,475
County Building CP	Building Capital Reserve	Transfer unexpended project balance to reserve	190,175
School Capital Projects	School Capital Reserve	Transfer unexpended project balance to reserve	1,011,145
Solid Waste	General	Contribution to General Fund for Admin Services	44,635
Total			<u>\$14,356,169</u>

**Note 7 - Joint Ventures**

Following extensive study and debate, the 2001 North Carolina General Assembly passed the Mental Health System Reform Bill (House Bill 381). Three Area Programs were organized into an eight county Local Management Entity (LME) and, as a result, the Rutherford Polk Area Authority was dissolved on June 30, 2005. Rutherford and Polk Counties joined six other counties (Henderson, Transylvania, Buncombe, Mitchell, Madison, and Yancey) which represented two other area authorities (Trend and Blue Ridge) to form Western Highlands LME.

Eighty-five percent of the budgetary surplus available from Rutherford Polk Area Authority upon dissolution was distributed to the two counties on the same pro rata basis that the counties appropriated and contributed funds to the authority's budget during the current fiscal year (59.7% Rutherford/ 40.3% Polk). In June 2005 Rutherford County received \$465,152 that is accounted for in special revenue fund with funds designated for mental health expenditures. The remaining fifteen percent of the surplus was delivered to Western Highlands LME for the sole purpose of paying any remaining liabilities. Any remaining balance of these funds shall be paid to the two counties on the same pro rata basis within thirty-days after December 31, 2007.

The eight counties participating in the Western Highlands LME are represented by either the county manager, assistant county manager or county commissioner and one at large position that fits certain criteria as outlined in the Reform Bill. Within available resources, the County has an ongoing financial responsibility for the LME because it is legally obligated to provide mental health services either directly or jointly with other counties. None of the participating counties has any equity interest in the LME, so no equity interest has been reflected in the financial statements at June 30, 2006. The County contributed \$102,168 to the LME to fund operations during fiscal year June 30, 2006. Complete financial statements for the LME may be obtained from the LME's offices at 356 Biltmore Avenue, Asheville, NC 28801.

The County, in conjunction with Polk and McDowell Counties, participates in the Rutherford/ Polk/McDowell Public Health District. Each Board of Commissioners of the counties appoints one of its own members to the public health board. These commissioner-members then appoint the other fifteen members jointly with six of these members being from Rutherford County, five being from McDowell County and four being from Polk County. All commissioner-members must agree on the appointments for the appointments to occur. The County contributes funds annually to fund operations of the District. None of the participating counties have any equity interest in the District, so no equity interest has been reflected in the financial statements at June 30, 2006. The County contributed \$246,410 to the District to fund operations during fiscal year June 30, 2006. Complete financial statements for the District may be obtained from the District's offices at 203 Koone Rd., Spindale, NC 28160.

The County, in conjunction with the State of North Carolina and the Rutherford County Board of Education, participates in a joint venture to operate the Isothermal Community College. The County appoints four members of the fifteen-member Board of Trustees of the Community College. The Community College is included as a component unit of the state. The County has the basic responsibility for providing funding for the facilities of the Community College and also provides some financial support for the Community College's operations. The County has an ongoing financial responsibility for the Community College because of the statutory responsibilities to provide funding for the Community College's facilities. The County contributed \$1,711,534 to the Community College for operating and capital expenditure purposes during the fiscal year ended June 30, 2006. The participating governments do not have any equity interest in the joint venture; therefore, no equity interest has been reflected in the County's financial statements at June 30, 2006. Complete financial statements for the Community College may be obtained from the Community College's administrative offices at P.O. Box 804, Spindale, NC 28160.

**Note 8 - Region C Council of Government (Jointly Governed Organization)**

The Council is a voluntary association of four county governments, including Rutherford County for the purpose of coordinating federal and state projects of a planning nature in the four county area comprising Region C in Southwestern North Carolina. General support of the Council is provided by the counties based upon their respective populations. Each county appoints one member to the Council's governing body and this governing body selects the management and determines the budget and financing requirements of the Council. The County paid membership fees of \$11,130 to the Council during the fiscal year ended June 30, 2006.

**Note 9 - Federal and State Assisted Programs**

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**Note 10 - Additional Social Welfare Expenditures**

The benefit payments listed below were issued directly from the State to recipients of the County and/or their service providers on its behalf. These amounts represent additional federal and state financial assistance to the residents of the County but are not reflected in the financial statements because the County has no primary responsibilities beyond making eligibility determinations.

Medicaid	\$ 70,093,912
Food stamps program	8,616,888
Temporary assistance to needy families	885,075
SC/SA domiciliary care	1,085,143
Energy assistance	157,007
Title IV-E adoption/foster care	<u>618,002</u>
	<u>\$ 81,455,987</u>

**Note 11 - General Revenues – Donated Real Estate**

During the fiscal year ending June 30, 2006, the Rutherford County Board of Education transferred real estate with a book value of \$5.1 million to the County in conjunction with the County's private placement financing program. Also, a former school building was reverted to the County with a value of \$.6 million which is based on the value assessed by the Rutherford County Tax Office. The County has reported these capital asset additions totaling \$5.7 million as revenue from donated real estate.





# RUTHERFORD COUNTY, NORTH CAROLINA

## LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Prof. Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll for Year Ending On Val Date (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/1997	—	\$ 196,955	\$ 196,955	0.00%	\$ 1,507,779	13.06%
12/31/1998	—	222,079	222,079	0.00%	1,713,020	12.96%
12/31/1999	—	285,944	285,944	0.00%	1,719,678	16.63%
12/31/2000	—	466,434	466,434	0.00%	1,877,528	24.84%
12/31/2001	—	493,420	493,420	0.00%	1,986,208	24.84%
12/31/2002	—	502,384	502,384	0.00%	2,001,798	25.10%
12/31/2003	—	627,648	627,648	0.00%	2,034,242	30.85%
12/31/2004	—	719,776	719,776	0.00%	2,125,885	33.86%
12/31/2005	—	728,116	728,116	0.00%	2,401,758	30.32%

### Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
1997	\$ 23,281	\$ 12,226	52.51%
1998	25,386	9,025	35.55%
1999	32,718	5,547	16.95%
2000	37,521	10,133	27.01%
2001	45,550	13,541	29.73%
2002	58,912	23,620	40.09%
2003	62,120	26,497	42.65%
2004	68,524	43,204	63.05%
2005	75,293	55,199	73.31%

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### Notes to the Required Schedules

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	12/31/05
Actuarial cost method	Project unit credit
Amortization method	Level percent of pay closed
Remaining amortization period	26 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	7.25%
Projected salary increases*	5.9 - 9.8 % per year
*Includes inflation at cost of living adjustment	3.75%

# RUTHERFORD COUNTY, NORTH CAROLINA

## GENERAL FUND COMPARATIVE BALANCE SHEETS June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 11,102,157	\$ 9,814,874
Receivables (net):		
Taxes	1,532,120	1,509,109
Governmental agencies	3,532,744	3,431,430
Accounts	822,705	911,948
Inventories	28,819	14,218
Prepaid items	171,533	179,411
	<hr/>	<hr/>
Total assets	\$ 17,190,078	\$ 15,860,990
	<hr/>	<hr/>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 270,969	\$ 241,380
Unearned revenues	132,737	285,818
Deferred revenues	2,346,268	2,407,662
	<hr/>	<hr/>
Total liabilities	2,749,974	2,934,860
	<hr/>	<hr/>
<b>Fund Balances:</b>		
Reserved:		
By State statute	3,502,227	3,444,362
For inventories and prepaid items	200,352	193,629
For court facilities	217,884	277,918
Unreserved:		
Designated for subsequent years' budget	2,133,580	1,125,000
Undesignated	8,386,061	7,885,221
	<hr/>	<hr/>
Total fund balances	14,440,104	12,926,130
	<hr/>	<hr/>
Total liabilities and fund balances	\$ 17,190,078	\$ 15,860,990
	<hr/>	<hr/>

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	Actual
<b>Revenues:</b>				
Ad valorem taxes:				
Current year	\$ 23,584,128	\$ 24,227,034	\$ 642,906	\$23,046,514
Prior years	900,000	918,030	18,030	991,243
Penalties and interest	254,000	256,998	2,998	248,722
Total	24,738,128	25,402,062	663,934	24,286,479
Local option sales taxes	11,644,200	11,869,004	224,804	11,152,217
Restricted intergovernmental revenues:				
ABC net revenues	9,700	11,543	1,843	10,833
Court facilities	150,400	152,068	1,668	143,162
Federal and state grants	8,859,428	8,693,799	(165,629)	7,940,197
Total	9,019,528	8,857,410	(162,118)	8,094,192
Permits and fees:				
Building permits	392,627	400,234	7,607	342,777
Register of deeds	450,000	473,898	23,898	422,877
Marriage license	12,000	12,350	350	12,400
Revenue stamps	360,750	498,498	137,748	323,917
Cable franchise fees	21,000	42,956	21,956	42,891
Rental vehicle tax	6,500	11,077	4,577	6,440
Total	1,242,877	1,439,013	196,136	1,151,302
Sales and services:				
Rents, concessions and fees	175,922	171,532	(4,390)	112,369
Sheriff's fees	83,184	92,362	9,178	74,905
Senior Center meals	82,309	89,062	6,753	82,698
EMS fees	986,000	1,152,500	166,500	1,108,545
Court costs, fees and charges	87,000	83,730	(3,270)	92,294
Detention Center fees	436,600	567,490	130,890	500,192
Tax collection fees	47,500	53,369	5,869	46,377
Animal shelter fees	37,100	36,837	(263)	48,642
Airport revenues	11,473	16,336	4,863	25,334
Total	1,947,088	2,263,218	316,130	2,091,356
Investment earnings	360,000	733,839	373,839	370,118
Miscellaneous	205,368	259,351	53,983	288,464
Sale of county property	40,000	118,170	78,170	67,887
Total revenues	49,197,189	50,942,067	1,744,878	47,502,015

**RUTHERFORD COUNTY, NORTH CAROLINA**

Page 2 of 4

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the year ended June 30, 2006  
(With comparative actual amounts for the year ended June 30, 2005)**

	<b>2006</b>			<b>2005</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>	<b>Actual</b>
<b>Expenditures:</b>				
<b>General Government:</b>				
Governing body	257,974	<b>253,028</b>	4,946	253,053
Manager	118,487	<b>116,536</b>	1,951	114,120
Board of Elections	905,666	<b>575,403</b>	330,263	242,117
Finance and purchasing	340,459	<b>340,363</b>	96	336,587
Information technology	629,418	<b>583,371</b>	46,047	743,270
Tax listing	661,027	<b>637,357</b>	23,670	663,534
Tax collections	301,974	<b>288,279</b>	13,695	279,180
Legal	64,560	<b>64,260</b>	300	54,328
Register of Deeds	282,403	<b>271,301</b>	11,102	271,825
Personnel	113,163	<b>108,957</b>	4,206	107,097
Public buildings / recreation	1,496,852	<b>1,209,598</b>	287,254	1,275,119
County garage	104,191	<b>101,802</b>	2,389	95,326
Court facilities	261,315	<b>212,102</b>	49,213	131,852
Special allocations	605,586	<b>517,246</b>	88,340	497,307
<b>Total general government</b>	<b>6,143,075</b>	<b>5,279,603</b>	<b>863,472</b>	<b>5,064,715</b>
<b>Public Safety:</b>				
Sheriff's Department	3,816,403	<b>3,801,489</b>	14,914	3,511,306
Detention Center	1,808,343	<b>1,795,192</b>	13,151	1,836,518
Communications	672,203	<b>666,712</b>	5,491	671,805
Inspections	454,367	<b>446,783</b>	7,584	448,075
Coroner	51,100	<b>51,100</b>	-	48,400
Emergency Services	1,746,769	<b>1,704,010</b>	42,759	1,628,304
Narcotics task force	-	<b>-</b>	-	9,384
Special allocations	309,264	<b>294,735</b>	14,529	290,588
Animal control	207,406	<b>203,215</b>	4,191	256,924
<b>Total public safety</b>	<b>9,065,855</b>	<b>8,963,236</b>	<b>102,619</b>	<b>8,701,304</b>
<b>Environmental Protection:</b>				
Soil conservation	115,046	<b>110,280</b>	4,766	101,053
Watershed	15,550	<b>12,551</b>	2,999	12,720
<b>Total environmental protection</b>	<b>130,596</b>	<b>122,831</b>	<b>7,765</b>	<b>113,773</b>

**RUTHERFORD COUNTY, NORTH CAROLINA**

Page 3 of 4

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the year ended June 30, 2006  
(With comparative actual amounts for the year ended June 30, 2005)**

	<u>2006</u>	<u>2006</u>	<u>Variance</u>	<u>2004</u>
	<u>Budget</u>	<u>Actual</u>	<u>Positive</u> <u>(Negative)</u>	<u>Actual</u>
<b>Economic and Physical Development:</b>				
Agricultural extension	172,620	<b>161,741</b>	10,879	160,586
Farmers market	2,248	<b>1,832</b>	416	1,796
Forestry	59,860	<b>38,456</b>	21,404	37,640
Airport Authority	181,597	<b>143,898</b>	37,699	56,893
Economic Development Commission	575,928	<b>539,818</b>	36,110	461,269
<b>Total economic and physical development</b>	<b>992,253</b>	<b>885,745</b>	106,508	718,184
<b>Human Services:</b>				
Contribution to District Health	246,410	<b>246,410</b>	-	246,410
Contribution to Mental Health	111,168	<b>102,168</b>	9,000	102,168
Veterans Service Officers	64,970	<b>62,049</b>	2,921	57,862
Special appropriation	290,769	<b>288,083</b>	2,686	245,874
Social Services Administration	5,102,092	<b>5,094,464</b>	7,628	4,766,344
Social Services programs	10,237,598	<b>9,148,308</b>	1,089,290	8,821,970
Senior Citizens Center	228,494	<b>220,797</b>	7,697	194,723
Meals program	359,883	<b>358,899</b>	984	355,948
<b>Total human services</b>	<b>16,641,384</b>	<b>15,521,178</b>	1,120,206	14,791,299
<b>Cultural:</b>				
Libraries	446,500	<b>444,650</b>	1,850	424,877
<b>Total cultural</b>	<b>446,500</b>	<b>444,650</b>	1,850	424,877
<b>Education:</b>				
Public schools:				
Current expenditures	10,592,388	<b>10,592,388</b>	-	10,224,313
Capital outlay	210,000	<b>210,000</b>	-	200,000
Community college	1,711,534	<b>1,711,534</b>	-	1,657,370
<b>Total education</b>	<b>12,513,922</b>	<b>12,513,922</b>	-	12,081,683

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	2006			2005
	Budget	Actual	Variance Positive (Negative)	Actual
Debt Service:				
Principal retirement		768,329		681,260
Interest and fees		34,399		9,702
Total debt service	802,728	802,728	-	690,962
Total expenditures	46,736,313	44,533,893	2,202,420	42,586,797
Revenues over expenditures	2,460,876	6,408,174	(457,542)	4,915,218
Other Financing Sources (Uses):				
Transfers:				
From other funds	757,573	478,433	(279,140)	397,635
To other funds	(6,240,796)	(6,507,933)	(267,137)	(5,938,548)
Debt issued	1,146,600	1,135,300	(11,300)	839,509
Appropriated fund balance	1,875,747	-	(1,875,747)	-
Total other financing sources (uses)	(2,460,876)	(4,894,200)	(2,433,324)	(4,701,404)
Net change in fund balance	\$ -	1,513,974	(2,890,866)	213,814
Fund balances:				
Beginning of year		12,926,130		12,712,316
End of year		\$ 14,440,104		\$12,926,130







**RUTHERFORD COUNTY, NORTH CAROLINA**

**DEBT SERVICE FUND  
COMPARATIVE BALANCE SHEETS  
June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Assets		
Cash and cash equivalents	\$ -	\$ -
Other receivables	-	4,441
Total assets	<u>\$ -</u>	<u>\$ 4,441</u>
Liabilities and Fund Balances		
Liabilities:	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:		
Reserved for:		
State statute	-	4,441
Unreserved:		
Designated for debt service	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>4,441</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 4,441</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<b>2006</b>			<b>2005</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
Revenues:				
Lease	\$ 48,852	\$ 44,413	\$ (4,439)	\$ 53,293
Total revenues	48,852	44,413	(4,439)	53,293
Expenditures:				
Bond principal payments	4,115,741	4,115,741	-	3,772,080
Bond interest payments	2,218,668	2,218,602	66	2,282,069
Bond issuance costs	2,700	2,694	6	2,694
Total expenditures	6,337,109	6,337,037	72	6,056,843
Revenues over (under) expenditures	(6,288,257)	(6,292,624)	(4,367)	(6,003,550)
Other Financing Sources (Uses):				
Transfers in				
Building Capital Reserve fund	1,042,796	1,042,730	(66)	1,032,143
School Capital Reserve fund	5,089,656	5,089,649	(7)	4,680,425
General fund	152,330	152,329	(1)	281,430
Fire district fund	3,475	3,475	-	3,475
Total other financing sources	6,288,257	6,288,183	(74)	5,997,473
Net change in fund balance	\$ -	(4,441)	\$ (4,441)	(6,077)
Fund balance, beginning of year		4,441		-
Fund balance, end of year		\$ -		\$ (6,077)

**RUTHERFORD COUNTY, NORTH CAROLINA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2006**

	<b>Total Nonmajor Special Revenue</b>	<b>Total Capital Projects Funds</b>	<b>June 30 2006</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,017,548	\$ 244,929	\$ 5,262,477
Cash and cash equivalents - restricted	-	3,130,472	3,130,472
Taxes receivable, net	126,557	-	126,557
Intergovernmental receivable	227,745	40,871	268,616
Other receivables	58,885	-	58,885
	<hr/>	<hr/>	<hr/>
Total assets	\$ 5,430,735	\$3,416,272	\$ 8,847,007
	<hr/>	<hr/>	<hr/>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 59,272	\$ -	\$ 59,272
Unearned revenues	2,107	-	2,107
Deferred revenue	126,557	-	126,557
	<hr/>	<hr/>	<hr/>
Total liabilities	187,936	-	187,936
	<hr/>	<hr/>	<hr/>
<b>Fund Balances:</b>			
Reserved for:			
State statute	286,630	40,871	327,501
Register of Deeds	131,914	-	131,914
Enhanced 911	864,622	-	864,622
Unreserved:			
Designated for subsequent year's budget	2,574,676	-	2,574,676
Designated for subsequent year's future capital outlay	234,290	3,375,401	3,609,691
Undesignated	1,150,667	-	1,150,667
	<hr/>	<hr/>	<hr/>
Total fund balances	5,242,799	3,416,272	8,659,071
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 5,430,735	\$3,416,272	\$ 8,847,007
	<hr/>	<hr/>	<hr/>

# RUTHERFORD COUNTY, NORTH CAROLINA

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the year ended June 30, 2006

	Total Nonmajor Special Revenue	Total Capital Projects Funds	June 30 2006
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,390,105	\$ -	\$ 1,390,105
Other taxes and licenses	623,110	-	623,110
Local option sales taxes	393,173	-	393,173
Restricted intergovernmental	2,356,125	-	2,356,125
Charges for services	575,350	-	575,350
Investment earnings	115,300	165,651	280,951
Miscellaneous	-	37,513	37,513
<b>Total revenues</b>	<b>5,453,163</b>	<b>203,164</b>	<b>5,656,327</b>
<b>Expenditures:</b>			
General government	362,299	-	362,299
Public safety	2,578,680	-	2,578,680
Environmental protection	7,824	-	7,824
Economic and physical development	3,027,513	-	3,027,513
Capital outlay	-	3,856,087	3,856,087
Debt service	156,741	19,416	176,157
<b>Total expenditures</b>	<b>6,133,057</b>	<b>3,875,503</b>	<b>10,008,560</b>
<b>Revenues over (under) expenditures</b>	<b>(679,894)</b>	<b>(3,672,339)</b>	<b>(4,352,233)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers:			
From other funds	7,464,552	-	7,464,552
To other funds	(6,602,280)	(1,201,320)	(7,803,600)
Proceeds from debt	-	6,022,500	6,022,500
<b>Total other financing sources (uses)</b>	<b>862,272</b>	<b>4,821,180</b>	<b>5,683,452</b>
<b>Net change in fund balance</b>	<b>182,378</b>	<b>1,148,841</b>	<b>1,331,219</b>
<b>Fund balance, beginning of year</b>	<b>5,060,421</b>	<b>2,267,431</b>	<b>7,327,852</b>
<b>Fund balance, end of year</b>	<b>\$ 5,242,799</b>	<b>\$ 3,416,272</b>	<b>\$ 8,659,071</b>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET**

June 30, 2006

(With comparative totals for June 30, 2005)

	Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund	Enhanced 911 Fund	Mental Health Reserve Fund
<b>Assets:</b>					
Cash and cash equivalents	\$ 486,730	\$ 117,874	\$ 1,490,445	\$ 898,074	\$ 483,991
Taxes receivable, net	-	-	-	-	-
Intergovernmental receivable	-	1,911	-	4,382	-
Other receivables	-	-	-	58,885	-
<b>Total assets</b>	<b>\$ 486,730</b>	<b>\$ 119,785</b>	<b>\$ 1,490,445</b>	<b>\$ 961,341</b>	<b>\$ 483,991</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ -	\$ 2,645	\$ -	\$ 758	\$ -
Unearned revenues	-	-	-	-	-
Deferred revenue	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>2,645</b>	<b>-</b>	<b>758</b>	<b>-</b>
<b>Fund Balances:</b>					
Reserved for:					
State Statute	-	1,911	-	63,267	-
Register of Deeds	-	-	-	-	-
Enhanced 911	-	-	-	864,622	-
Unreserved:					
Designated for subsequent year's budget	252,440	51,762	72,625	32,694	-
Designated for future capital outlay	234,290	-	-	-	-
Undesignated	-	63,467	1,417,820	-	483,991
<b>Total fund balance</b>	<b>486,730</b>	<b>117,140</b>	<b>1,490,445</b>	<b>960,583</b>	<b>483,991</b>
<b>Total liabilities and fund balances</b>	<b>\$ 486,730</b>	<b>\$ 119,785</b>	<b>\$ 1,490,445</b>	<b>\$ 961,341</b>	<b>\$ 483,991</b>

Tourism Development Fund	Grant Fund	Grant CDBG Project Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Water and Sewer Project Fund	Totals	
						2006	2005
\$ 202,713	\$ 180,336	\$ -	\$ 788,024	\$ 174,978	\$ 194,383	\$ 5,017,548	\$5,002,754
-	-	-	126,557	-	-	126,557	127,467
2,670	210,895	1,999	3,528	2,360	-	227,745	5,513
-	-	-	-	-	-	58,885	125,545
<b>\$ 205,383</b>	<b>\$ 391,231</b>	<b>\$ 1,999</b>	<b>\$ 918,109</b>	<b>\$ 177,338</b>	<b>\$ 194,383</b>	<b>\$ 5,430,735</b>	<b>\$5,261,279</b>
\$ 16,086	\$ 34,982	\$ -	\$ -	\$ 4,801	\$ -	\$ 59,272	\$ 71,166
-	-	-	2,107	-	-	2,107	12,758
-	-	-	126,557	-	-	126,557	127,467
16,086	34,982	-	128,664	4,801	-	187,936	211,391
2,670	210,895	1,999	3,528	2,360	-	286,630	84,766
-	-	-	-	131,914	-	131,914	159,381
-	-	-	-	-	-	864,622	784,310
-	-	-	-	-	-	-	-
-	96,268	-	731,800	38,263	1,298,824	2,574,676	1,940,119
-	-	-	-	-	-	234,290	294,149
186,627	49,086	-	54,117	-	(1,104,441)	1,150,667	1,787,163
189,297	356,249	1,999	789,445	172,537	194,383	5,242,799	5,049,888
<b>\$ 205,383</b>	<b>\$ 391,231</b>	<b>\$ 1,999</b>	<b>\$ 918,109</b>	<b>\$ 177,338</b>	<b>\$ 194,383</b>	<b>\$ 5,430,735</b>	<b>\$5,261,279</b>



**RUTHERFORD COUNTY, NORTH CAROLINA**

**SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For the year ended June 30, 2006  
(With comparative totals for June 30, 2005)**

	Building Capital Reserve Fund	Reappraisal Fund	School Capital Reserve Fund	Enhanced 911 Fund	Mental Health Reserve Fund	Tourism Development Fund
<b>Revenues:</b>						
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Local option sales tax	-	-	-	-	-	-
Other taxes and licenses	-	-	-	-	-	393,173
Restricted intergovernmental	46,366	-	-	-	-	-
Charges for services	-	-	-	538,550	-	4,800
Investment earnings	-	-	87,443	-	18,839	5,356
Total revenues	<u>46,366</u>	<u>-</u>	<u>87,443</u>	<u>538,550</u>	<u>18,839</u>	<u>403,329</u>
<b>Expenditures:</b>						
General government	-	309,007	-	-	-	-
Public safety	-	-	-	409,980	-	-
Environmental protection	-	-	-	-	-	-
Economic and physical development	-	-	-	-	-	249,720
Debt service	-	-	-	97,703	-	-
Total expenditures	<u>-</u>	<u>309,007</u>	<u>-</u>	<u>507,683</u>	<u>-</u>	<u>249,720</u>
Revenues over (under) expenditures	<u>46,366</u>	<u>(309,007)</u>	<u>87,443</u>	<u>30,867</u>	<u>18,839</u>	<u>153,609</u>
<b>Other Financing Sources (Uses):</b>						
Transfers:						
From other funds	1,265,054	211,459	5,324,239	-	-	-
To other funds	(1,204,531)	-	(5,299,649)	(23,827)	-	-
Debt issued	-	-	-	-	-	-
Total other financing sources (uses)	<u>60,523</u>	<u>211,459</u>	<u>24,590</u>	<u>(23,827)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>106,889</u>	<u>(97,548)</u>	<u>112,033</u>	<u>7,040</u>	<u>18,839</u>	<u>153,609</u>
Fund balance, beginning of year	<u>379,841</u>	<u>214,688</u>	<u>1,378,412</u>	<u>953,543</u>	<u>465,152</u>	<u>35,688</u>
Fund balance, end of year	<u>\$ 486,730</u>	<u>\$ 117,140</u>	<u>\$ 1,490,445</u>	<u>\$ 960,583</u>	<u>\$ 483,991</u>	<u>\$ 189,297</u>

Grant Fund	Grant CDBG Project Fund	Fire Districts Fund	Register of Deeds Automation Enhancement Fd	Water and Sewer Project Fund	Totals	
					2006	2005
\$ -	\$ -	\$ 1,390,105	\$ -	\$ -	\$ 1,390,105	\$1,298,965
-	-	623,110	-	-	623,110	591,478
-	-	-	-	-	393,173	255,577
1,621,121	688,638	-	-	-	2,356,125	2,679,342
-	-	-	-	32,000	575,350	555,440
-	-	-	-	3,662	115,300	59,594
1,621,121	688,638	2,013,215	-	35,662	5,453,163	5,440,396
-	-	-	53,292	-	362,299	638,841
225,656	-	1,943,044	-	-	2,578,680	2,775,039
-	-	7,824	-	-	7,824	8,811
1,494,803	688,638	-	-	594,352	3,027,513	1,725,225
-	-	-	59,038	-	156,741	96,066
1,720,459	688,638	1,950,868	112,330	594,352	6,133,057	5,243,982
(99,338)	-	62,347	(112,330)	(558,690)	(679,894)	196,414
311,760	-	-	98,475	253,565	7,464,552	5,823,478
(70,798)	-	(3,475)	-	-	(6,602,280)	(6,308,861)
-	-	-	-	-	-	299,500
240,962	-	(3,475)	98,475	253,565	862,272	(185,883)
141,624	-	58,872	(13,855)	(305,125)	182,378	10,531
214,625	1,999	730,573	186,392	499,508	5,060,421	5,049,890
\$ 356,249	\$ 1,999	\$ 789,445	\$ 172,537	\$ 194,383	\$ 5,242,799	\$5,060,421

**RUTHERFORD COUNTY, NORTH CAROLINA**

**BUILDING CAPITAL RESERVE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<u>2006</u>			<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
Restricted intergovernmental	\$ 46,367	\$ 46,366	\$ (1)	\$ 46,367
Total revenues	46,367	46,366	(1)	46,367
Expenditures:				
Reserve for future projects	193,014	-	193,014	-
Revenues over expenditures	(146,647)	46,366	193,013	46,367
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	1,026,400	1,074,879	48,479	978,185
Capital Projects fund	603,984	190,175	(413,809)	-
General fund	(153,000)	(153,000)	-	(153,000)
Debt Service fund	(1,042,796)	(1,042,730)	66	(1,032,143)
Capital Projects fund	(279,140)	-	279,140	-
Grant fund	(8,801)	(8,801)	-	(59,833)
Total other financing sources (uses)	146,647	60,523	(86,124)	(266,791)
Net change in fund balance	<u>\$ -</u>	<u>106,889</u>	<u>\$ 106,889</u>	(220,424)
Fund balance, beginning of year		<u>379,841</u>		<u>600,265</u>
Fund balance, end of year		<u>\$ 486,730</u>		<u>\$ 379,841</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**REAPPRAISAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<u>2006</u>			<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
General government:				
Reappraisal	280,811	248,113	32,698	199,321
Mapping	84,987	60,894	24,093	20,502
	<u>365,798</u>	<u>309,007</u>	<u>56,791</u>	<u>219,823</u>
Revenues over (under) expenditures	(365,798)	(309,007)	56,791	(219,823)
Other Financing Sources:				
Transfers in:				
General fund	187,632	187,632	-	260,000
Special revenue fund - 911	23,827	23,827	-	-
Fund balance appropriated	154,339	-	(154,339)	-
Total other financing sources	<u>365,798</u>	<u>211,459</u>	<u>(154,339)</u>	<u>260,000</u>
Net change in fund balance	<u>\$ -</u>	<u>(97,548)</u>	<u>\$ (97,548)</u>	40,177
Fund balance, beginning of year		<u>214,688</u>		<u>174,511</u>
Fund balance, end of year		<u>\$ 117,140</u>		<u>\$ 214,688</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SCHOOL CAPITAL RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<u>2006</u>			<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ 60,000	\$ 87,443	\$ 27,443	\$ 58,814
Total revenues	<u>60,000</u>	<u>87,443</u>	<u>27,443</u>	<u>58,814</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>60,000</u>	<u>87,443</u>	<u>27,443</u>	<u>58,814</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	4,102,600	4,313,094	210,494	3,927,029
Schools Capital Projects fund	891,658	1,011,145	119,487	-
Debt service fund	(5,089,656)	(5,089,649)	7	(4,753,883)
General fund	(210,000)	(210,000)	-	(200,000)
Fund balance appropriated	<u>245,398</u>	<u>-</u>	<u>(245,398)</u>	<u>-</u>
Total other financing sources (uses)	<u>(60,000)</u>	<u>24,590</u>	<u>84,590</u>	<u>(1,026,854)</u>
Net change in fund balance	<u>\$ -</u>	<u>112,033</u>	<u>\$ 112,033</u>	<u>(968,040)</u>
Fund balance, beginning of year		<u>1,378,412</u>		<u>2,346,452</u>
Fund balance, end of year		<u>\$ 1,490,445</u>		<u>\$ 1,378,412</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**ENHANCED 911 FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<b>2006</b>			<b>2005</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
Revenues:				
Charges for services:				
Landline	\$ 387,000	\$ 376,270	\$ (10,730)	\$ 385,439
Wireless	124,000	159,605	35,605	129,524
Private road signs	2,000	2,675	675	3,240
Total revenues	513,000	538,550	25,550	518,203
Expenditures:				
Public safety:				
Landlines	300,127	267,576	32,551	341,861
Wireless	362,867	142,404	220,463	132,182
Debt service	97,703	97,703	-	71,468
Total expenditures	760,697	507,683	253,014	545,511
Revenues over (under) expenditures	(247,697)	30,867	278,564	(27,308)
Other financial sources (uses):				
Transfer to reappraisal fund	(23,827)	(23,827)	-	-
Debt issued	-	-	-	129,500
Fund balance appropriated	271,524	-	(271,524)	-
Net change in fund balance	\$ -	7,040	\$ 7,040	102,192
Fund balance, beginning of year		953,543		851,351
Fund balance, end of year		\$ 960,583		\$ 953,543

**RUTHERFORD COUNTY, NORTH CAROLINA**

**MENTAL HEALTH RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<u>2006</u>			<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Contributions - Mental Health Authority	\$ -	\$ -	\$ -	\$ 465,152
Investment earnings	-	18,839	18,839	-
	<u>-</u>	<u>18,839</u>	<u>18,839</u>	<u>465,152</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ -</u>	<u>18,839</u>	<u>\$ 18,839</u>	465,152
Fund balance, beginning		<u>465,152</u>		<u>-</u>
Fund balance, ending		<u>\$ 483,991</u>		<u>\$ 465,152</u>

# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **TOURISM DEVELOPMENT FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<u>2006</u>			<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Other taxes and licenses	\$ 278,350	\$ 393,173	\$ 114,823	\$ 255,577
Charges for services	4,800	4,800	-	2,000
Investment earnings	350	5,356	5,006	780
Total revenues	283,500	403,329	119,829	258,357
Expenditures:				
Economic and physical development	283,500	249,720	33,780	224,707
Net change in fund balance	<u>\$ -</u>	<u>153,609</u>	<u>\$ 153,609</u>	33,650
Fund balance, beginning of year		<u>35,688</u>		<u>2,038</u>
Fund balance, end of year		<u>\$ 189,297</u>		<u>\$ 35,688</u>



**RUTHERFORD COUNTY, NORTH CAROLINA**

**GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the year ended June 30, 2006  
(With comparative actual amounts for the year ended June 30, 2005)

	<b>2006</b>			<b>2005</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
Revenues:				
Restricted intergovernmental	\$ 2,507,874	\$ 1,225,412	\$ (1,282,462)	\$ 1,415,331
Private grants	882,994	395,709	(487,285)	366,150
Sale of timber	-	-	-	35,237
Total revenues	<u>3,390,868</u>	<u>1,621,121</u>	<u>(1,769,747)</u>	<u>1,816,718</u>
Expenditures:				
Public safety	439,484	225,656	213,828	629,644
Economic and physical development	3,625,923	1,494,803	2,131,120	1,321,522
	<u>4,065,407</u>	<u>1,720,459</u>	<u>2,344,948</u>	<u>1,951,166</u>
Revenues (under) over expenditures	<u>(674,539)</u>	<u>(99,338)</u>	<u>575,201</u>	<u>(134,448)</u>
Other Financing Sources:				
Transfers in (out):				
General Fund	302,959	302,959	-	140,561
Building Capital Reserve Fund	8,801	8,801	-	27,034
General Fund	(70,798)	(70,798)	-	-
Fire Districts Fund	-	-	-	106,527
Capital Projects Fund - COP	-	-	-	51,500
Fund balance appropriated	191,077	-	(191,077)	-
	<u>432,039</u>	<u>240,962</u>	<u>(191,077)</u>	<u>325,622</u>
Net change in fund balance	<u>\$ (242,500)</u>	<u>141,624</u>	<u>\$ 384,124</u>	191,174
Fund balance, beginning of year		<u>214,625</u>		<u>23,451</u>
Fund balance, end of year		<u>\$ 356,249</u>		<u>\$ 214,625</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**GRANT CDBG PROJECT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
From inception and for the year ended June 30, 2006**

	<u>Authorization</u>	<u>Prior Years</u>	<u>Total Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental:				
Community Development Block Grants:				
Scattered site housing	\$ 400,000	\$ 235,129	\$ 164,394	\$ 399,523
Straight piping	200,000	189,384	-	189,384
Henrietta concentrated needs	600,000	129,550	426,481	556,031
Highway 74 Corporation	284,337	-	97,763	97,763
Total revenues	1,484,337	554,063	688,638	1,242,701
Expenditures:				
Economic and physical development:				
Scattered site housing	400,000	235,130	164,393	399,523
Straight piping	200,000	189,385	-	189,385
Henrietta concentrated needs	622,000	149,549	426,482	576,031
Highway 74 Corporation	284,337	-	97,763	97,763
Total expenditures	1,506,337	574,064	688,638	1,262,702
Revenues over (under) expenditures	(22,000)	(20,001)	-	(20,001)
Other Financing Sources:				
Transfer from General Fund	22,000	22,000	-	22,000
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,999</u>	<u>-</u>	<u>\$ 1,999</u>
Fund balance, beginning of year			<u>1,999</u>	
Fund balance, end of year			<u>\$ 1,999</u>	

# RUTHERFORD COUNTY, NORTH CAROLINA

## FIRE DISTRICTS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	2006			2005
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Ad valorem taxes:				
Current year	\$ 1,275,308	\$ 1,319,939	\$ 44,631	\$ 1,220,391
Prior years	35,100	54,997	19,897	63,303
Penalties and interest	-	15,169	15,169	15,270
	<u>1,310,408</u>	<u>1,390,105</u>	<u>79,697</u>	<u>1,298,964</u>
Other taxes and licenses:				
Local option sales tax	599,397	623,110	23,713	591,478
Total revenues	<u>1,909,805</u>	<u>2,013,215</u>	<u>103,410</u>	<u>1,890,442</u>
Expenditures:				
Public safety -				
Cliffside	143,972	143,972	-	120,313
Chimney Rock	38,428	38,428	-	35,716
Sandy Mush	137,494	137,494	-	118,534
Bills Creek	101,716	101,716	-	78,192
Shingle Hollow	97,982	97,982	-	89,318
Shiloh, Danielstown, and Oakland	208,296	208,296	-	192,212
Cherry Mountain	134,608	134,608	-	120,199
Hudlow	253,015	253,015	-	235,415
Rutherfordton	181,076	181,076	-	158,558
Ellenboro	214,006	214,006	-	198,087
Bostic	64,388	64,388	-	62,285
Union Mills	81,968	81,968	-	77,065
Green Hill	150,764	150,764	-	131,462
Contracted	737,919	129,207	608,712	47,004
Hollis Community	6,124	6,124	-	6,992
	<u>2,551,756</u>	<u>1,943,044</u>	<u>608,712</u>	<u>1,671,352</u>
Environmental protection:				
Cliffside Sanitary District	7,824	7,824	-	8,811
Total expenditures	<u>2,559,580</u>	<u>1,950,868</u>	<u>608,712</u>	<u>1,680,163</u>
Revenues over (under) expenditures	<u>(649,775)</u>	<u>62,347</u>	<u>712,122</u>	<u>210,279</u>
Other Financing Sources:				
Transfers:				
General fund	-	-	-	2,082
Debt service fund	(3,475)	(3,475)	-	(3,475)
Grant fund	-	-	-	(106,527)
Appropriated fund balance	653,250	-	(653,250)	-
	<u>649,775</u>	<u>(3,475)</u>	<u>(653,250)</u>	<u>(107,920)</u>
Net change in fund balance	<u>\$ -</u>	<u>58,872</u>	<u>\$ 58,872</u>	<u>102,359</u>
Fund balance, beginning of year		<u>730,573</u>		<u>628,214</u>
Fund balance, end of year		<u>\$ 789,445</u>		<u>\$ 730,573</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**REGISTER OF DEEDS AUTOMATION ENHANCEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

**For the year ended June 30, 2006**

**(With comparative actual amounts for the year ended June 30, 2005)**

	<b>2006</b>		<b>2005</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Automation equipment	92,900	53,292	39,608	194,310
Debt service	59,038	59,038	-	24,598
	<u>151,938</u>	<u>112,330</u>	39,608	<u>218,908</u>
Revenues over expenditures	<u>(151,938)</u>	<u>(112,330)</u>	39,608	<u>(218,908)</u>
Other Financing Sources (Uses):				
Transfers in (out):				
General fund	82,275	98,475	16,200	75,919
Debt issued	-	-	-	170,000
Fund balance appropriated	69,663	-	(69,663)	
	<u>151,938</u>	<u>98,475</u>	<u>(53,463)</u>	<u>245,919</u>
Total other financing sources (uses)	<u>151,938</u>	<u>98,475</u>	<u>(53,463)</u>	<u>245,919</u>
Net change in fund balance	<u>\$ -</u>	<u>(13,855)</u>	<u>\$ (13,855)</u>	27,011
Fund balance, beginning of year		<u>186,392</u>		<u>159,381</u>
Fund balance, end of year		<u>\$ 172,537</u>		<u>\$ 186,392</u>

# RUTHERFORD COUNTY, NORTH CAROLINA

## WATER & SEWER PROJECT FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL From inception and for the year ended June 30, 2006

	<u>Authorization</u>	<u>Prior Years</u>	<u>Total Current Year</u>	<u>Total to Date</u>
<b>Revenues</b>				
Water tap fees	\$ -	\$ -	\$ 32,000	\$ 32,000
Investment earnings	-	-	3,662	3,662
	-	-	35,662	35,662
<b>Expenditures:</b>				
Economic and physical development:				
Administrative	46,120	13,717	12,952	26,669
Water and Sewer projects	782,289	136,146	581,400	717,546
Total expenditures	828,409	149,863	594,352	744,215
Revenues over expenditures	(828,409)	(149,863)	(558,690)	(708,553)
<b>Other Financing Sources:</b>				
Transfers in - General Fund	468,569	694,371	253,565	947,936
Proceeds from State bonds	359,840	-	-	-
	828,409	694,371	253,565	947,936
Net change in fund balance	\$ -	\$ 544,508	(305,125)	\$ 239,383
Fund balance, beginning of year			499,508	
Fund balance, end of year			\$ 194,383	

**RUTHERFORD COUNTY, NORTH CAROLINA**

**CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET**

June 30, 2006

(With comparative totals for June 30, 2005)

	School Capital Projects Funds	County Buildings Capital Projects Funds	Totals	
			<u>2006</u>	<u>2005</u>
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 244,929	\$ 244,929	\$ 1,006,066
Cash and cash equivalents - restricted	1,439,984	1,690,488	3,130,472	1,196,115
Intergovernmental receivable	40,871	-	40,871	65,250
 Total assets	<u>\$ 1,480,855</u>	<u>\$ 1,935,417</u>	<u>\$ 3,416,272</u>	<u>\$ 2,267,431</u>
 <b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Fund Balances:				
Reserved by state statute	40,871	-	40,871	65,250
Unreserved:				
Designated for future capital outlay	1,439,984	1,935,417	3,375,401	2,202,181
Total fund balance	<u>1,480,855</u>	<u>1,935,417</u>	<u>3,416,272</u>	<u>2,267,431</u>
 Total liabilities and fund balances	<u>\$ 1,480,855</u>	<u>\$ 1,935,417</u>	<u>\$ 3,416,272</u>	<u>\$ 2,267,431</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
CAPITAL PROJECTS FUNDS  
For the year ended June 30, 2006**

	School Capital Projects Fund	County Buildings Capital Projects Fund	2006	2005
<b>Revenues:</b>				
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ 61,184
Investment earnings	146,267	19,384	165,651	43,749
Miscellaneous	37,513	-	37,513	55,761
<b>Total revenues</b>	<b>183,780</b>	<b>19,384</b>	<b>203,164</b>	<b>160,694</b>
<b>Expenditures:</b>				
Capital outlay	3,856,087	-	3,856,087	3,281,177
Cost of debt issuance	-	19,416	19,416	
<b>Total expenditures</b>	<b>3,856,087</b>	<b>19,416</b>	<b>3,875,503</b>	<b>3,281,177</b>
<b>Revenues over (under) expenditures</b>	<b>(3,672,307)</b>	<b>(32)</b>	<b>(3,672,339)</b>	<b>(3,120,483)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers:				
From other funds	-	-	-	73,458
To other funds	(1,011,145)	(190,175)	(1,201,320)	-
Proceeds from 2/3rds bonds	-	1,520,000	1,520,000	-
Proceeds from capital leases	4,502,500	-	4,502,500	-
<b>Total other financing sources (uses)</b>	<b>3,491,355</b>	<b>1,329,825</b>	<b>4,821,180</b>	<b>73,458</b>
<b>Net change in fund balance</b>	<b>(180,952)</b>	<b>1,329,793</b>	<b>1,148,841</b>	<b>(3,047,025)</b>
<b>Fund balance, beginning of year</b>	<b>1,661,807</b>	<b>605,624</b>	<b>2,267,431</b>	<b>5,314,456</b>
<b>Fund balance, end of year</b>	<b>\$ 1,480,855</b>	<b>\$ 1,935,417</b>	<b>\$ 3,416,272</b>	<b>\$ 2,267,431</b>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**CAPITAL PROJECTS FUND - SCHOOLS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
 From inception and for the year ended June 30, 2006

	Actual			
	Project Authorization	Prior Years	Current Year	Total To Date
Revenues:				
Other taxes and licenses	\$ -	\$ 511,692	\$ -	\$ 511,692
Sales tax refund	-	55,761	37,513	93,274
Investment earnings	7,550	312,328	146,267	458,595
Total revenues	7,550	879,781	183,780	1,063,561
Expenditures:				
Capital outlay:				
Ellenboro Elementary	10,682,300	10,487,194	195,105	10,682,299
Chase Middle School Addition	1,684,650	1,677,833	6,817	1,684,650
Spindale Elementary	8,307,750	8,253,998	53,752	8,307,750
Forest City Elementary	828,477	828,477	-	828,477
Sunshine Elementary	7,752,500	7,599,785	135,057	7,734,842
RS middle	331,961	331,961	-	331,961
Dunbar Elementary Addition	2,787,827	57,679	1,726,779	1,784,458
Harris Elementary Addition	1,701,906	15,785	1,154,554	1,170,339
Chase High lights	11,317	11,317	-	11,317
Rutherford Elementary Intercom System	4,300	-	4,350	4,350
Chase High Gym Floor	150,000	-	-	-
Cliffside Intercom/Phone System	11,724	-	4,482	4,482
East High HVAC	10,300	-	10,261	10,261
Chase High Roof	1,313,275	-	70,650	70,650
East High Roof	1,389,725	-	79,750	79,750
Rutherfordton Elementary Land	407,175	-	393,585	393,585
Undesignated	141,224	-	-	-
Debt issuance costs	151,570	135,823	20,945	156,768
Total expenditures	37,667,981	29,399,852	3,856,087	33,255,939
Revenues under expenditures	(37,660,431)	(28,520,071)	(3,672,307)	(32,192,378)
Other Financing Sources (Uses):				
Transfers:				
Special revenue funds	-	146,922	-	146,922
Capital Reserve funds	-	-	(1,011,145)	(1,011,145)
Proceeds from borrowing	37,660,431	30,034,956	4,502,500	34,537,456
Total Other Financial Sources (Uses)	37,660,431	30,181,878	3,491,355	33,673,233
Net change in fund balance	\$ -	\$ 1,661,807	(180,952)	\$ 1,480,855
Fund balance, beginning of year			1,661,807	
Fund balance, end of year			\$ 1,480,855	



**RUTHERFORD COUNTY, NORTH CAROLINA**

**CAPITAL PROJECTS FUND - COUNTY BUILDINGS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
From inception and for the year ended June 30, 2006**

	Actual			
	Project Authorization	Prior Years	Current Year	Total To Date
<b>Revenues</b>				
Other taxes and licenses	\$ -	\$ 35,165	\$ -	\$ 35,165
Investment earnings	1,731	71,989	19,384	91,373
Sales tax refund on contracts	-	952	-	952
Total revenues	<u>1,731</u>	<u>108,106</u>	<u>19,384</u>	<u>127,490</u>
<b>Expenditures:</b>				
Capital Outlay:				
Courthouse renovations	1,834,079	1,835,304	-	1,835,304
Senior Center	771,675	771,675	-	771,675
Library/EMS	353,474	353,474	-	353,474
Hollis	37,000	37,000	-	37,000
Unidentified project	506,691	-	-	-
Tracker Industrial	3,050,000	3,069,462	-	3,069,462
Municipal water and sewer	1,567,748	-	-	-
Debt issuance costs	52,913	35,918	19,416	55,334
Total expenditures	<u>8,173,580</u>	<u>6,102,833</u>	<u>19,416</u>	<u>6,122,249</u>
Revenues under expenditures	<u>(8,171,849)</u>	<u>(5,994,727)</u>	<u>(32)</u>	<u>(5,994,759)</u>
<b>Other Financing Sources:</b>				
Debt issued - lease purchase	4,737,106	4,737,106	-	4,737,106
Debt issued - 2/3rds bonds	1,520,000	-	1,520,000	1,520,000
Appropriated fund balance	603,984	-	-	-
Transfers in:				
General fund	1,850,000	1,850,000	-	1,850,000
Building capital reserve fund	-	13,245	-	13,245
Water and Sewer fund	64,743	-	-	-
Transfers out:				
Building capital reserve fund	(603,984)	-	(190,175)	(190,175)
Total other financing sources	<u>8,171,849</u>	<u>6,600,351</u>	<u>1,329,825</u>	<u>7,930,176</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 605,624</u>	<u>1,329,793</u>	<u>\$ 1,935,417</u>
Fund balance, beginning of year			<u>605,624</u>	
Fund balance, end of year			<u>\$ 1,935,417</u>	

**RUTHERFORD COUNTY, NORTH CAROLINA**

**ENTERPRISE FUNDS  
COMBINING SCHEDULE OF NET ASSETS  
June 30, 2006  
(With comparative totals for June 30, 2005)**

	<u>Solid Waste Fund</u>	<u>Solid Waste Reserve Fund</u>	<u>Totals 2006</u>	<u>2005</u>
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,386,549	\$ 378,841	\$ 1,765,390	\$ 2,010,658
Accounts receivable (net)	320,186	-	320,186	359,187
Due from other funds	-	-	-	-
Total current assets	1,706,735	378,841	2,085,576	2,369,845
Capital assets, net of depreciation	2,951,609	-	2,951,609	2,575,745
Due from other funds	-	-	-	-
Total assets	4,658,344	378,841	5,037,185	4,945,590
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued liabilities	181,641	-	181,641	197,072
Current portion of long-term liabilities	111,029	72,698	183,727	175,094
Total current liabilities	292,670	72,698	365,368	372,166
Noncurrent liabilities:				
Accrued landfill closure and postclosure care costs	-	1,805,650	1,805,650	1,896,859
Long-term debt	577,397	-	577,397	618,753
Total noncurrent liabilities	577,397	1,805,650	2,383,047	2,515,612
Total liabilities	870,067	1,878,348	2,748,415	2,887,778
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,263,183	-	2,263,183	1,728,497
Unrestricted	1,525,094	(1,499,507)	25,587	329,315
Total net assets	\$ 3,788,277	\$ (1,499,507)	\$ 2,288,770	\$ 2,057,812

**RUTHERFORD COUNTY, NORTH CAROLINA**

**ENTERPRISE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS (DEFICIT)**

For the year ended June 30, 2006  
(With comparative totals for June 30, 2005)

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2006	2005
<b>Operating Revenues:</b>				
Charges for services	\$ 3,126,132	\$ -	\$ 3,126,132	\$ 3,277,273
Other operating revenues	212,097	-	212,097	197,921
Total operating revenues	3,338,229	-	3,338,229	3,475,194
<b>Operating Expenses:</b>				
Salaries	804,707	-	804,707	798,756
Employee benefits	207,448	-	207,448	223,836
Operating expenses	1,819,257	-	1,819,257	2,016,405
Landfill closure and postclosure care costs	-	17,370	17,370	6,501
Depreciation	253,891	-	253,891	265,505
Maintenance	76,652	-	76,652	62,800
Total operating expenses	3,161,955	17,370	3,179,325	3,373,803
Operating income	176,274	(17,370)	158,904	101,391
<b>Nonoperating Revenues (Expenses):</b>				
Interest income	32,000	-	32,000	35,174
Interest expense	(40,311)	-	(40,311)	(45,635)
Total nonoperating revenues (expenses)	(8,311)	-	(8,311)	(10,461)
<b>Transfers:</b>				
General Fund	(44,635)	125,000	80,365	80,365
Landfill postclosure expenditures	(35,881)	35,881	-	-
Total transfers	(80,516)	160,881	80,365	80,365
Increase in net assets	87,447	143,511	230,958	171,295
Net assets (deficit), beginning of year	3,700,830	(1,643,018)	2,057,812	1,886,517
Net assets (deficit), end of year	\$ 3,788,277	\$ (1,499,507)	\$ 2,288,770	\$ 2,057,812

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SOLID WASTE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<b>2006</b>		<b>2005</b>	
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 3,231,200	\$ 3,126,132	\$ (105,068)	\$ 3,277,273
Other operating revenues	202,000	212,097	10,097	197,921
<b>Total operating revenues</b>	<b>3,433,200</b>	<b>3,338,229</b>	<b>(94,971)</b>	<b>3,475,194</b>
<b>Nonoperating Revenues:</b>				
Interest income	32,800	32,000	(800)	35,174
<b>Total revenues</b>	<b>3,466,000</b>	<b>3,370,229</b>	<b>(95,771)</b>	<b>3,510,368</b>
<b>Expenditures:</b>				
Salaries		804,707		798,756
Employee benefits		207,448		223,836
Operating expenses		1,819,257		2,016,405
Landfill closure		35,881		34,719
Interest and fees		40,311		45,635
Debt principal		105,421		100,097
Capital outlay and maintenance		706,407		300,904
<b>Total expenditures</b>	<b>3,995,517</b>	<b>3,719,432</b>	<b>276,085</b>	<b>3,520,352</b>
<b>Revenues over (under) expenditures</b>	<b>(529,517)</b>	<b>(349,203)</b>	<b>180,314</b>	<b>(9,984)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in (out):				
General fund	(44,635)	(44,635)	-	(44,635)
Appropriated fund balance	574,152	-	(574,152)	-
<b>Total other financing sources (uses)</b>	<b>529,517</b>	<b>(44,635)</b>	<b>(574,152)</b>	<b>(44,635)</b>
<b>Revenues and other sources over (under) expenditures and other uses</b>	<b>\$ -</b>	<b>(393,838)</b>	<b>\$ (393,838)</b>	<b>(54,619)</b>
<b>Reconciling Items:</b>				
Payment of debt principal		105,421		100,097
Capital outlay		629,755		238,104
Depreciation		(253,891)		(265,505)
<b>Total reconciling items</b>		<b>481,285</b>		<b>72,696</b>
<b>Increase in net assets</b>		<b>\$ 87,447</b>		<b>\$ 18,077</b>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SOLID WASTE RESERVE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP)**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<b>2006</b>			<b>2005</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>	<b>Actual</b>
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures	-	-	-	-
Revenues over expenditures before transfers	-	-	-	-
Transfer from General Fund	-	<b>125,000</b>	125,000	125,000
Increase in net assets	\$ -	<b>\$ 125,000</b>	\$ 125,000	\$ 125,000

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

Excess of revenues and other sources over (under) expenditures	<b><u>\$ 125,000</u></b>
Reconciling Items:	
Landfill closure and postclosure care cost accrual	<b>(17,370)</b>
Payment of landfill closure by Solid Waste Fund	<b><u>35,881</u></b>
Total reconciling items	<b><u>18,511</u></b>
Increase in net assets	<b><u>\$ 143,511</u></b>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**ENTERPRISE FUNDS  
COMBINING SCHEDULE OF CASH FLOWS  
For the year ended June 30, 2006  
(With comparative totals for June 30, 2005)**

	Solid Waste Fund	Solid Waste Reserve Fund	Totals	
			2006	2005
<b>Cash Flows from Operating Activities:</b>				
Cash received from operating revenues	\$ 3,377,231	\$ -	\$ 3,377,231	\$ 3,525,274
Cash paid to employees for services	(804,709)	-	(804,709)	(798,756)
Cash paid for goods and services	(2,118,788)	(35,881)	(2,154,669)	(2,371,639)
Net cash provided (used) by operating activities	453,734	(35,881)	417,853	354,879
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers to other funds	(80,516)	160,881	80,365	80,365
Net cash provided (used) by noncapital financing activities	(80,516)	160,881	80,365	80,365
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of capital assets	(629,755)	-	(629,755)	(238,104)
Sale of capital assets	-	-	-	19,294
Principal paid on debt	(105,421)	-	(105,421)	(100,097)
Interest paid on debt	(40,311)	-	(40,311)	(45,635)
Net cash used by capital and related financing activities	(775,487)	-	(775,487)	(364,542)
<b>Cash Flows from Investing Activities:</b>				
Interest income	32,000	-	32,000	35,174
Net cash provided by investing activities	32,000	-	32,000	35,174
Net increase (decrease) in cash and cash equivalents	(370,269)	125,000	(245,269)	105,876
Cash and cash equivalents at beginning of year	1,756,817	253,841	2,010,658	1,904,782
Cash and cash equivalents at end of year	\$ 1,386,548	\$ 378,841	\$ 1,765,389	\$ 2,010,658
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating income (loss)	\$ 176,274	\$ (17,370)	\$ 158,904	\$ 255,318
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	253,891	-	253,891	267,593
Landfill closure and postclosure care costs	-	(18,511)	(18,511)	(55,064)
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable	39,001	-	39,001	1,094
Increase (decrease) in accounts payable and accrued liabilities	(15,432)	-	(15,432)	53,674
Total adjustments	277,460	(18,511)	258,949	267,297
Net cash provided (used) by operating activities	\$ 453,734	\$ (35,881)	\$ 417,853	\$ 522,615

**RUTHERFORD COUNTY, NORTH CAROLINA**

**INTERNAL SERVICE FUND  
STATEMENT OF NET ASSETS  
June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 373,507	\$ 734,573
Accounts receivable	<u>-</u>	<u>-</u>
Total assets	<u>\$ 373,507</u>	<u>\$ 734,573</u>
 <b>Liabilities</b>		
Accounts payable	<u>\$ -</u>	<u>\$ 286,434</u>
Total liabilities	<u>-</u>	<u>286,434</u>
 <b>Net Assets</b>		
Unrestricted	<u>373,507</u>	<u>448,139</u>
Total net assets	<u>\$ 373,507</u>	<u>\$ 734,573</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**INTERNAL SERVICE FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

**For the year ended June 30, 2006  
(With comparative totals for June 30, 2005)**

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Employer contributions	<u>\$ 1,738</u>	<u>\$ 2,668,372</u>
Total operating revenues	<u>1,738</u>	<u>2,668,372</u>
Operating expenses		
Claims and administration	<u>76,370</u>	<u>2,537,141</u>
Total operating expenses	<u>76,370</u>	<u>2,537,141</u>
Change in net assets	<u>(74,632)</u>	<u>131,231</u>
Total net assets - beginning	<u>448,139</u>	<u>316,908</u>
Total net assets - ending	<u>\$ 373,507</u>	<u>\$ 448,139</u>



# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **INTERNAL SERVICE FUND STATEMENT OF CASH FLOWS**

For the year ended June 30, 2006  
(With comparative totals for June 30, 2005)

	<u>2006</u>	<u>2005</u>
<b>Cash Flows from Operating Activities:</b>		
Receipts from employer contributions	\$ 1,738	\$ 2,669,939
Payments to insurer	<u>(362,804)</u>	<u>(2,398,828)</u>
Net cash provided by noncapital	<u>(361,066)</u>	<u>271,111</u>
 Net increase in cash and cash equivalents	 (361,066)	 271,111
 Cash and cash equivalents, July 1	 <u>734,573</u>	 <u>463,462</u>
Cash and cash equivalents, June 30	<u>\$ 373,507</u>	<u>\$ 734,573</u>
 Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	<u>\$ (74,632)</u>	<u>\$ 131,231</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) in accounts receivable	-	1,567
Increase (decrease) in accounts payable	<u>(286,434)</u>	<u>138,313</u>
Total adjustments	<u>(286,434)</u>	<u>139,880</u>
 Net cash provided by operating activities	 <u>\$ (361,066)</u>	 <u>\$ 271,111</u>

# RUTHERFORD COUNTY, NORTH CAROLINA

## COMPONENT UNIT RUTHERFORD COUNTY TRANSIT ADMINISTRATION SCHEDULE OF REVENUES AND EXPENDITURES BUDGET AND ACTUAL (NON-GAAP)

For the year ended June 30, 2006  
(With comparative actual amounts for the year ended June 30, 2005)

	<u>2006</u>			<u>2005</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
Charges for services	\$ 406,347	\$ 443,108	\$ 36,761	\$ 410,787
State transportation assistance grants	350,450	335,867	(14,583)	246,042
Total	756,797	778,975	22,178	656,829
Expenditures:				
Salaries		389,982		381,481
Employee benefits		89,412		95,951
Operating expenses		49,597		46,041
Capital outlay and maintenance		213,229		109,693
Total	752,208	742,220	9,988	633,166
Revenue over (under) expenditures	4,589	36,755	32,166	23,663
Other Financial Sources (Uses):				
Transfers:				
To primary government	(8,000)	(8,000)	-	(5,000)
Fund balance appropriated	3,411	-	(3,411)	-
Total	(4,589)	(8,000)	(3,411)	(5,000)
Excess of revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 28,755</u>	<u>\$ 28,755</u>	<u>\$ 18,663</u>

Reconciliation from budgetary basis (modified accrual) to full accrual basis:

Excess revenues and other sources over (under) expenditures and other uses	<u>\$ 28,755</u>
Reconciling Items:	
Capital outlay - items capitalized	90,109
Depreciation	<u>(89,187)</u>
Total reconciling items	922
Net income	<u>\$ 29,677</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**COMPONENT UNIT**  
**RUTHERFORD COUNTY TRANSIT ADMINISTRATION**  
**STATEMENT OF CASH FLOWS**  
**For the year ended June 30, 2006**

**Cash Flows from Operating Activities:**

Cash received from operating revenues	\$ 455,899
Cash paid to employees for services	(389,982)
Cash paid for goods and services	(259,361)
Net cash used by operating activities	<u>(193,444)</u>

**Cash Flows from Noncapital Financing Activities:**

Transfers to other funds	<u>(8,000)</u>
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**Cash Flows from Capital and Related**

**Financing Activities:**

Acquisition of capital assets	(90,109)
Grants	335,867
Net cash provided by capital and related financing activities	<u>245,758</u>

Net increase (decrease) in cash and cash equivalents	44,314
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Cash and cash equivalents at beginning of year	<u>73,271</u>
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Cash and cash equivalents at end of year	<u><u>\$ 117,585</u></u>
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**Reconciliation of Operating Income to Net Cash**

**Provided (used) by Operating Activities:**

Operating income (loss)	\$ (298,190)
Adjustments to reconcile operating income	
(loss) to net cash provided (used) by operating activities	
Depreciation	<u>89,187</u>

**Changes in operating assets and liabilities:**

(Increase) decrease in accounts receivable	12,791
Increase (decrease) in accounts payable and accrued liabilities	2,768
Total adjustments	<u>104,746</u>

Net cash provided (used) by operating activities	<u><u>\$ (193,444)</u></u>
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**RUTHERFORD COUNTY, NORTH CAROLINA**

**AGENCY FUNDS  
COMBINING BALANCE SHEET**

June 30, 2006

(With comparative totals for June 30, 2005)

	Agency					Totals	
	Social Service Fund	Agriculture Department Advisory Council Fund	Cities Tax Collection Fund	Detention Center Commissary Fund	Motor Vehicle Interest Fund	2006	2005
<b>Assets</b>							
Cash and cash equivalents	\$ 125,069	\$ 15,219	\$ 60,612	\$ 26,244	\$ 1,007	<b>\$ 228,151</b>	\$ 237,976
	<u>\$ 125,069</u>	<u>\$ 15,219</u>	<u>\$ 60,612</u>	<u>\$ 26,244</u>	<u>\$ 1,007</u>	<u><b>\$ 228,151</b></u>	<u>\$ 237,976</u>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 125,069	\$ 15,219	\$ 60,612	\$ 26,244	\$ 1,007	<b>\$ 228,151</b>	\$ 237,976
Total liabilities	<u>125,069</u>	<u>15,219</u>	<u>60,612</u>	<u>26,244</u>	<u>1,007</u>	<u><b>228,151</b></u>	<u>237,976</u>
Fund Balances							
	<u>\$ 125,069</u>	<u>\$ 15,219</u>	<u>\$ 60,612</u>	<u>\$ 26,244</u>	<u>\$ 1,007</u>	<u><b>\$ 228,151</b></u>	<u>\$ 237,976</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**AGENCY FUNDS - COMBINING STATEMENT OF CHANGES  
IN ASSETS AND LIABILITIES**

For the year ended June 30, 2006

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
<b>Social Services Fund</b>				
Assets:				
Cash and cash equivalents	\$ 115,230	\$ 274,125	\$ 264,286	\$ 125,069
Liabilities:				
Accounts payable	\$ 115,230	\$ 274,125	\$ 264,286	\$ 125,069
<b>Agricultural Department Advisory Council Fund</b>				
Assets:				
Cash and cash equivalents	\$ 17,181	\$ 22,039	\$ 24,001	\$ 15,219
Liabilities:				
Accounts payable	\$ 17,181	\$ 22,039	\$ 24,001	\$ 15,219
<b>Other Taxing Units</b>				
Assets:				
Cash and cash equivalents	\$ 77,523	\$ 5,803,260	\$ 5,820,171	\$ 60,612
Liabilities:				
Accounts payable	\$ 77,523	\$ 5,803,260	\$ 5,820,171	\$ 60,612
<b>Detention Center Commissary Fund</b>				
Assets:				
Cash and cash equivalents	\$ 28,042	\$ 135,147	\$ 136,945	\$ 26,244
Liabilities:				
Accounts payable	\$ 28,042	\$ 135,147	\$ 136,945	\$ 26,244
<b>Motor Vehicle Interest Fund</b>				
Assets:				
Cash and cash equivalents	\$ -	4,955	3,948	\$ 1,007
Liabilities:				
Accounts payable	\$ -	4,955	3,948	\$ 1,007
<b>Totals - All Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ 237,976	\$ 6,239,526	\$ 6,249,351	\$ 228,151
Liabilities:				
Accounts payable	\$ 237,976	\$ 6,239,526	\$ 6,249,351	\$ 228,151

**RUTHERFORD COUNTY, NORTH CAROLINA**

**POSTEMPLOYMENT HEALTHCARE PLAN**

**STATEMENT OF NET ASSETS**

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 984,754</u>	<u>\$ 980,124</u>
Total assets	<u>984,754</u>	<u>980,124</u>
<b>Liabilities</b>		
Accounts payable	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
<b>Net Assets</b>		
Held in trust for pension benefits - health insurance	<u><u>\$ 984,754</u></u>	<u><u>\$ 980,124</u></u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**POSTEMPLOYMENT HEALTHCARE PLAN  
STATEMENT OF CHANGES IN NET ASSETS**

**For the year ended June 30, 2006**

**(With comparative actual amounts for the year ended June 30, 2005)**

	<u>2006</u>	<u>2005</u>
Additions		
Cobra premiums	\$ 141	\$ -
Interest earnings	42,412	15,242
	<u>42,553</u>	<u>15,242</u>
Total additions		
Deductions		
Benefits	37,894	31,108
Administrative expenses	29	9,991
	<u>37,923</u>	<u>41,099</u>
Total deductions		
Changes in net assets	4,630	(25,857)
Net assets, beginning	<u>980,124</u>	<u>1,009,137</u>
Net assets, ending	<u>\$ 984,754</u>	<u>\$ 983,280</u>

**RUTHERFORD COUNTY, NORTH CAROLINA**

**COMPONENT UNIT - ECONOMIC DEVELOPMENT COMMISSION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
Revenues	\$ -	\$ -
Expenditures:		
Economic and physical development	<u>539,818</u>	<u>461,269</u>
Revenue over (under) expenditures	(539,818)	(461,269)
Other Financial Sources (Uses):		
Contribution from primary government	<u>539,818</u>	<u>461,269</u>
Net change in fund balance	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>



**RUTHERFORD COUNTY, NORTH CAROLINA**

**COMPONENT UNIT - RUTHERFORD COUNTY AIRPORT AUTHORITY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE**

For the year ended June 30, 2006

(With comparative actual amounts for the year ended June 30, 2005)

	<u>2006</u>	<u>2005</u>
	<u>Actual</u>	<u>Actual</u>
Revenues:		
Operating grants	\$ 127,562	\$ 31,559
Charges for services	<u>16,336</u>	<u>25,334</u>
Total revenues	<u>143,898</u>	<u>56,893</u>
Expenditures:		
Economic and physical development	<u>234,761</u>	<u>147,755</u>
Revenue over (under) expenditures	(90,863)	(90,862)
Other Financial Sources (Uses):		
Contribution from primary government	<u>519,728</u>	<u>166,667</u>
Net change in fund balance	428,865	75,805
Fund balance, beginning of year	<u>2,286,195</u>	<u>2,210,390</u>
Fund balance, end of year	<u>\$ 2,715,060</u>	<u>\$ 2,286,195</u>

## **SUPPLEMENTAL FINANCIAL DATA**

This section contains additional information on Taxes Receivable and Tax Levy.

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SCHEDULE OF GENERAL FUND AD VALOREM TAXES RECEIVABLE**

June 30, 2006

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2005</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2006</u>
2005-2006	\$ -	\$ 25,471,590	\$ 24,457,738	\$ 1,013,852
2004-2005	932,630	-	624,792	307,838
2003-2004	344,306	-	146,711	197,595
2002-2003	267,743	-	88,051	179,692
2001-2002	143,506	-	24,390	119,116
2000-2001	111,642	-	19,213	92,429
1999-2000	75,984	-	9,360	66,624
1998-1999	65,387	-	8,574	56,813
1997-1998	58,745	-	7,299	51,446
1996-1997	47,831	-	6,114	41,717
1995-1996	38,335	-	38,335	-
	<u>\$ 2,086,109</u>	<u>\$ 25,471,590</u>	<u>\$ 25,430,577</u>	<u>2,127,122</u>
Less allowance for uncollectible ad valorem taxes receivable				<u>595,000</u>
Ad valorem taxes receivable - net				<u>\$ 1,532,122</u>
Reconcilement with revenues:				
Ad valorem taxes - General fund				<u>\$ 25,402,062</u>
Reconciling items:				
Interest collected				(224,142)
Discounts/adjustments				214,322
Taxes written off				38,335
Total reconciling items				<u>28,515</u>
Total collections and credits				<u>\$ 25,430,577</u>

# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **ANALYSIS OF CURRENT TAX LEVY**

### **GENERAL FUND**

For the year ended 6/30/2006

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current	\$ 3,956,640,161	0.62	\$ 24,531,169	\$ 22,968,017	\$ 1,563,152
Registered motor vehicles taxed at prior year's rate	160,537,581	0.62	995,333	-	995,333
Penalties	-		32,181	32,181	-
Total	<u>4,117,177,742</u>		<u>25,558,683</u>	<u>23,000,198</u>	<u>2,558,485</u>
Discoveries:					
Current year taxes	5,459,516	0.62	33,849	33,849	-
Advertising costs			9,878	9,878	-
Abatements	<u>(21,100,000)</u>		<u>(130,820)</u>	<u>(67,372)</u>	<u>(63,448)</u>
Total property valuation	<u>\$ 4,101,537,258</u>				
Net levy			25,471,590	22,976,553	2,495,037
Uncollected taxes at June 30, 2006			<u>1,013,852</u>	<u>587,274</u>	<u>426,578</u>
Current year's taxes collected			<u>\$ 24,457,738</u>	<u>\$ 22,389,279</u>	<u>\$ 2,068,459</u>
Current levy collection percentage			<u>96.02%</u>	<u>97.44%</u>	<u>82.90%</u>

# **RUTHERFORD COUNTY, NORTH CAROLINA**

## **SCHEDULE OF SPECIAL DISTRICTS AD VALOREM TAXES RECEIVABLE**

June 30, 2006

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2005</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2006</u>
2005-2006	\$ -	\$ 1,393,239	\$ 1,328,353	\$ 64,886
2004-2005	58,021	-	39,732	18,289
2003-2004	19,745	-	8,254	11,491
2002-2003	11,631	-	3,116	8,515
2001-2002	7,760	-	1,376	6,384
2000-2001	6,587	-	1,233	5,354
1999-2000	4,284	-	515	3,769
1998-1999	3,342	-	434	2,908
1997-1998	3,167	-	413	2,754
1996-1997	2,560	-	353	2,207
1995-1996	1,785	-	1,785	-
	<u>\$ 118,882</u>	<u>\$ 1,393,239</u>	<u>\$ 1,385,564</u>	

Ad valorem taxes receivable	<u>\$ 126,557</u>
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### Reconcilement with revenues:

Ad valorem taxes - Special districts	<u>\$ 1,390,105</u>
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### Reconciling items:

Interest collected	(13,711)
Discounts/adjustments	7,384
Taxes written off	1,786
Total reconciling items	<u>(4,541)</u>

Total collections and credits	<u>\$ 1,385,564</u>
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ANALYSIS OF CURRENT TAX LEVY  
SPECIAL DISTRICTS LEVY  
For the year ended June 30, 2005

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
<b>Chimney Rock Fire</b>					
Property taxed at current years rate	\$ 36,948,333	\$ 0.06	\$ 22,169	\$ 21,445	\$ 724
Motor vehicles taxed at prior years rate	333,333	0.06	200	-	200
<b>Sandy Mush Fire</b>					
Property taxed at current years rate	20,952,000	0.04	83,808	75,987	7,821
Motor vehicles taxed at prior years rate	12,592,500	0.04	5,037	-	5,037
<b>Cliffside Sanitary</b>					
Property taxed at current years rate	6,225,000	0.08	4,980	4,799	181
Motor vehicles taxed at prior years rate	123,750	0.08	99	-	99
<b>Bills Creek Fire</b>					
Property taxed at current years rate	85,832,500	0.07	68,666	65,016	3,650
Motor vehicles taxed at prior years rate	2,748,571	0.07	1,924	-	1,924
<b>Shingle Hollow Fire</b>					
Property taxed at current years rate	61,212,000	0.10	61,212	56,050	5,162
Motor vehicles taxed at prior years rate	3,198,000	0.10	3,198	-	3,198
<b>Shiloh, Danielstown, and Oakland Fire</b>					
Property taxed at current years rate	267,646,000	0.05	133,823	121,910	11,913
Motor vehicles taxed at prior years rate	17,046,000	0.05	8,523	-	8,523
<b>Cherry Mountain Fire</b>					
Property taxed at current years rate	98,720,000	0.09	88,848	83,563	5,285
Motor vehicles taxed at prior years rate	4,237,778	0.09	3,814	-	3,814
<b>Hudlow Fire</b>					
Property taxed at current years rate	210,333,750	0.08	168,267	157,480	10,787
Motor vehicles taxed at prior years rate	8,661,250	0.08	6,929	-	6,929
<b>Rutherfordton Fire</b>					
Property taxed at current years rate	152,791,250	0.07	122,233	112,763	9,470
Motor vehicles taxed at prior years rate	7,444,286	0.07	5,211	-	5,211
<b>Cliffside Fire</b>					
Property taxed at current years rate	171,863,636	0.05	94,525	88,388	6,137
Motor vehicles taxed at prior years rate	7,373,333	0.05	3,318	-	3,318
<b>Ellenboro Fire</b>					
Property taxed at current years rate	220,841,667	0.06	132,505	119,108	13,397
Motor vehicles taxed at prior years rate	14,736,667	0.06	8,842	-	8,842

RUTHERFORD COUNTY, NORTH CAROLINA

Page 2 of 2

ANALYSIS OF CURRENT TAX LEVY  
SPECIAL DISTRICTS LEVY  
For the year ended June 30, 2005

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicle	Registered Motor Vehicles
Bostic Fire					
Property taxed at current years rate	82,156,000	0.05	41,078	37,063	4,015
Motor vehicles taxed at prior years rate	5,516,000	0.05	2,758	-	2,758
Union Mills Fire					
Property taxed at current years rate	102,620,000	0.05	51,310	47,461	3,849
Motor vehicles taxed at prior years rate	5,026,000	0.05	2,513	-	2,513
Green Hill Fire					
Property taxed at current years rate	137,404,286	0.07	96,183	88,551	7,632
Motor vehicles taxed at prior years rate	6,627,143	0.07	4,639	-	4,639
Hollis Fire					
Property taxed at current years rate	22,806,667	0.03	6,842	6,043	799
Motor vehicles taxed at prior years rate	1,090,000	0.03	327	-	327
Contracted Fire					
Property taxed at current years rate	585,833,333	0.03	157,750	146,225	11,525
Motor vehicles taxed at prior years rate	24,790,000	0.03	7,437	-	7,437
Total			1,398,968	1,231,852	167,116
Penalties			1,295	1,295	-
Discoveries			1,559	1,559	-
Gross tax levy			1,401,822	1,234,706	167,116
Releases			(8,583)	(4,368)	(4,215)
Net levy			1,393,239	1,230,338	162,901
Less: uncollected taxes at June 30, 2006			64,886	38,565	26,321
Current year taxes collected			\$1,328,353	\$ 1,191,773	\$ 136,580
Percent current year collected			95.34%	96.87%	83.84%

### **Statistical Section**

The Statistical Section includes data extracted from prior years' financial reports and various other sources. The data is rounded to significant digits to more clearly illustrate existing trends.

The information presented in this section does not provide full and adequate disclosure of financial information for prior years required by generally accepted accounting principles. Such information is provided for supplementary analysis purposes and should be relied on only for the purpose specified.



**Rutherford County, North Carolina**  
**Net Assets by Component**  
**Last Ten Fiscal Years (1)**  
**(accrual basis of accounting)**

	Fiscal Year			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 8,155,717	\$ 5,031,401	\$ 2,667,572	\$ 4,204,392
Restricted	4,515,334	3,342,114	6,325,190	23,924,954
Unrestricted	<u>(11,690,321)</u>	<u>(14,451,333)</u>	<u>(19,208,792)</u>	<u>(31,672,266)</u>
Total Governmental activities net assets	<u>\$ 980,730</u>	<u>\$ (6,077,818)</u>	<u>\$ (10,216,030)</u>	<u>\$ (3,542,920)</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 2,157,762	\$ 1,781,898	\$ 1,728,497	\$ 1,830,412
Restricted	-	-	-	-
Unrestricted	<u>131,008</u>	<u>275,914</u>	<u>1,883,020</u>	<u>1,585,325</u>
Total business-type activities net assets	<u>\$ 2,288,770</u>	<u>\$ 2,057,812</u>	<u>\$ 3,611,517</u>	<u>\$ 3,415,737</u>
Primary government				
Invested in capital assets, net of related debt	\$ 10,313,479	\$ 6,813,299	\$ 4,396,069	\$ 6,034,804
Restricted	4,515,334	3,342,114	6,325,190	23,924,954
Unrestricted	<u>(11,559,313)</u>	<u>(14,175,419)</u>	<u>(17,325,772)</u>	<u>(30,086,941)</u>
Total primary government net assets	<u>\$ 3,269,500</u>	<u>\$ (4,020,006)</u>	<u>\$ (6,604,513)</u>	<u>\$ (127,183)</u>

(1) Rutherford County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Rutherford County, North Carolina**  
**Changes in Net Assets**  
**Last Ten Fiscal Years (1)**  
**(accrual basis of accounting)**

Expenses	Fiscal Year			
	2006	2005	2004	2003
<b>Governmental activities:</b>				
General government	\$ 5,986,407	\$ 5,467,270	\$ 4,544,885	\$ 4,656,686
Public safety	11,805,593	11,402,836	10,821,652	9,856,540
Environmental protection	133,673	124,741	98,217	102,089
Economic & Physical Development	3,491,223	2,512,395	3,134,384	1,090,193
Human Services	15,666,923	14,979,133	13,865,856	13,354,244
Cultural & Recreational	496,255	468,023	440,354	415,717
Education	14,909,359	13,355,725	23,473,409	18,562,891
Interest on long-term debt	2,503,590	2,286,910	2,322,059	1,938,582
<i>Total governmental activities expenses</i>	<u>54,993,023</u>	<u>50,597,033</u>	<u>58,700,816</u>	<u>49,976,942</u>
<b>Business-type activities:</b>				
Solid Waste Disposal	3,219,636	3,438,732	3,235,872	3,126,418
<i>Total business-type activities</i>	<u>3,219,636</u>	<u>3,438,732</u>	<u>3,235,872</u>	<u>3,126,418</u>
<i>Total primary governmental expenses</i>	<u>\$ 58,212,659</u>	<u>\$ 54,035,765</u>	<u>\$ 61,936,688</u>	<u>\$ 53,103,360</u>
<b>Program Revenues</b>				
<b>Governmental activities:</b>				
Charges for services:				
General government	\$ 546,488	\$ 568,640	\$ 652,769	\$ 599,353
Public Safety	3,022,527	3,112,715	2,952,281	2,342,527
Environmental protection	-	-	-	26,271
Economic & Physical Development	32,000	-	-	-
Human Services	90,516	82,698	80,063	63,148
Cultural & Recreational	-	-	-	-
Education	-	-	-	-
Interest on long-term debt	-	-	-	-
Operating grants and contributions	9,480,758	8,864,479	7,962,549	8,152,455
Capital grants and contributions	7,222,561	1,709,923	944,225	772,701
<i>Total governmental activities program revenues</i>	<u>20,394,850</u>	<u>14,338,455</u>	<u>12,591,887</u>	<u>11,956,455</u>
<b>Business-type activities:</b>				
Charges for services:				
Solid Waste Disposal	3,208,508	3,377,143	3,227,006	3,330,561
Operating grants and contributions	129,721	117,345	213,493	-
Capital grants and contributions	-	-	-	-
<i>Total business-type activities program revenues</i>	<u>3,338,229</u>	<u>3,494,488</u>	<u>3,440,499</u>	<u>3,330,561</u>
<i>Total primary governmental program revenues</i>	<u>\$ 23,733,079</u>	<u>\$ 17,832,943</u>	<u>\$ 16,032,386</u>	<u>\$ 15,287,016</u>
<b>Net (expense)/revenue</b>				
Governmental activities	\$ (34,598,173)	\$ (36,258,578)	\$ (46,108,929)	\$ (38,020,487)
Business-type activities	\$ 118,593	\$ 55,756	\$ 204,627	\$ 204,143
<i>Total primary governmental net expense</i>	<u>\$ (34,479,580)</u>	<u>\$ (36,202,822)</u>	<u>\$ (45,904,302)</u>	<u>\$ (37,816,344)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
<b>Governmental activities:</b>				
Taxes				
Property taxes	\$ 26,822,856	\$ 25,426,291	\$ 25,192,052	\$ 25,454,307
Local Option Sales Tax	12,492,114	11,743,695	11,278,753	9,107,457
Other Taxes and Licenses	952,574	634,370	1,588,027	1,392,173
Investment earnings, unrestricted	1,020,453	518,211	443,135	664,437
Miscellaneous, unrestricted	449,090	429,586	889,217	161,498
Transfers	(80,365)	(80,365)	44,635	30,000
<i>Total governmental activities</i>	<u>41,656,722</u>	<u>38,671,788</u>	<u>39,435,819</u>	<u>36,809,872</u>
<b>Business-type activities:</b>				
Investment earnings	32,000	35,174	35,788	8,344
Miscellaneous, unrestricted	-	-	-	(55,490)
Transfers	80,365	80,365	(44,635)	(30,000)
<i>Total business-type activities</i>	<u>112,365</u>	<u>115,539</u>	<u>(8,847)</u>	<u>(77,146)</u>
<i>Total primary government</i>	<u>\$ 41,769,087</u>	<u>\$ 38,787,327</u>	<u>\$ 39,426,972</u>	<u>\$ 36,732,726</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 7,058,549	\$ 2,413,210	\$ (6,673,110)	\$ (1,210,615)
Business-type activities	230,958	171,295	195,780	126,997
<i>Total primary government</i>	<u>\$ 7,289,507</u>	<u>\$ 2,584,505</u>	<u>\$ (6,477,330)</u>	<u>\$ (1,083,618)</u>

(1) Rutherford County began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Rutherford County, North Carolina**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund			
Reserved	\$ 3,920,463	\$ 3,915,909	\$ 3,780,885
Unreserved	<u>10,519,641</u>	<u>9,010,221</u>	<u>8,931,431</u>
Total General Fund	<u>\$ 14,440,104</u>	<u>\$ 12,926,130</u>	<u>\$ 12,712,316</u>
 All other governmental funds			
Reserved	\$ 1,324,037	\$ 1,429,110	\$ 1,487,151
Unreserved, reported in:			
Debt service fund	-	-	10,518
Special revenue funds	3,959,633	3,701,003	4,021,431
Capital projects funds	<u>3,375,401</u>	<u>2,202,181</u>	<u>4,855,762</u>
Total all other governmental funds	<u>\$ 8,659,071</u>	<u>\$ 7,332,294</u>	<u>\$ 10,374,862</u>

<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 3,415,837	\$ 2,841,403	\$ 3,373,943	\$ 2,774,965	\$ 2,697,143	\$ 2,505,407	\$ 2,674,496
<u>7,011,749</u>	<u>5,245,650</u>	<u>4,949,487</u>	<u>5,654,443</u>	<u>5,287,985</u>	<u>4,722,236</u>	<u>3,022,835</u>
<u>\$ 10,427,586</u>	<u>\$ 8,087,053</u>	<u>\$ 8,323,430</u>	<u>\$ 8,429,408</u>	<u>\$ 7,985,128</u>	<u>\$ 7,227,643</u>	<u>\$ 5,697,331</u>
\$ 983,201	\$ 91,224	\$ 244,615	\$ 169,285	\$ 78,752	\$ 110,259	\$ 281,720
-	737,739	753,735	747,559	768,177	-	-
4,944,120	2,711,221	2,876,433	3,543,731	8,457,828	10,375,184	10,981,684
<u>23,068,333</u>	<u>1,182,914</u>	<u>3,724,389</u>	<u>-</u>	<u>-</u>	<u>975,998</u>	<u>872,466</u>
<u>\$ 28,995,654</u>	<u>\$ 4,723,098</u>	<u>\$ 7,599,172</u>	<u>\$ 4,460,575</u>	<u>\$ 9,304,757</u>	<u>\$ 11,461,441</u>	<u>\$ 12,135,870</u>

**Rutherford County, North Carolina**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<b>Revenues</b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
Ad Valorem Taxes	\$ 26,792,167	\$ 25,585,444	\$ 24,992,262	\$ 25,272,124
Local Option Sales Taxes	12,262,177	11,743,695	11,837,956	9,532,653
Other Taxes and Licenses	623,110	255,577	251,735	261,408
Unrestricted Intergovernmental				
Restricted Intergovernmental	11,213,535	10,834,718	9,109,617	9,031,207
Permits and Fees	1,439,013	1,151,302	1,012,848	1,092,816
Sales and Services	2,882,979	2,700,089	2,978,520	2,687,527
Investment Earnings	1,012,369	473,461	443,136	664,437
Miscellaneous	415,034	412,112	228,642	116,888
<i>Total revenues</i>	<u>56,640,384</u>	<u>53,156,398</u>	<u>50,854,716</u>	<u>48,659,060</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	5,641,902	5,703,555	4,800,673	4,560,320
Public safety	11,541,916	11,476,343	10,421,427	9,852,175
Environmental Protection	130,655	122,584	118,839	100,813
Economic and Physical Development	3,913,258	2,443,409	2,101,815	1,055,040
Human Services	15,521,178	14,791,299	13,754,017	13,119,093
Cultural and Recreational	444,650	424,877	398,368	361,562
<b>Intergovernmental:</b>				
Education	12,513,922	12,081,683	11,311,729	10,830,042
Capital Outlay	3,856,087	3,281,177	18,381,582	10,503,729
Debt service				
Principal	5,031,194	4,290,159	4,828,539	3,068,213
Interest	2,282,307	2,428,712	1,885,760	3,295,329
<i>Total expenditures</i>	<u>60,877,069</u>	<u>57,043,798</u>	<u>68,002,749</u>	<u>56,746,316</u>
Excess of revenues over (under) expenditures	(4,236,685)	(3,887,400)	(17,148,033)	(8,087,256)
<b>Other financing sources (uses)</b>				
Transfers From Other Funds	14,356,170	12,292,044	(5,642,601)	14,932,692
Transfers To Other Funds	(14,436,533)	(12,372,409)	5,687,236	(13,052,692)
Transfers From Component Units	-	-	-	5,000
Transfers To Component Units				
Installment Purchase Obligations Issued	5,637,800	1,139,009	767,336	40,243,372
General Obligation Debt Issued	1,520,000	-	-	-
Refunding Bonds Issued	-	-	-	18,420,000
Payment to Refunded Bond Escrow Agent	-	-	-	(25,848,027)
Proceeds From Bonds	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>7,077,437</u>	<u>1,058,644</u>	<u>811,971</u>	<u>34,700,345</u>
Net change in fund balances	<u>\$ 2,840,752</u>	<u>\$ (2,828,756)</u>	<u>\$ (16,336,062)</u>	<u>\$ 26,613,089</u>
Debt services as a percentage of noncapital expenditures	12.83%	12.50%	13.53%	13.76%

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$	21,839,759	\$ 20,370,817	\$ 18,373,139	\$ 17,122,048	\$ 17,190,195	\$ 16,104,879
	8,763,472	8,778,747	8,422,527	7,961,772	7,646,500	7,381,858
	307,056	282,709	270,027	246,812	208,261	193,835
	1,221,268	1,820,061	1,818,825	1,847,778	1,865,344	1,873,171
	6,729,260	12,469,970	13,678,284	13,996,673	12,741,869	5,793,491
	852,716	734,623	680,697	675,287	625,419	543,978
	2,103,194	1,877,079	2,487,025	1,739,436	1,677,194	1,203,722
	610,534	1,095,420	1,221,417	1,182,919	1,348,859	1,302,451
	199,176	136,076	181,153	93,026	79,322	88,596
	<u>42,626,435</u>	<u>47,565,502</u>	<u>47,133,094</u>	<u>44,865,751</u>	<u>43,382,963</u>	<u>34,485,981</u>
	4,356,056	4,244,612	5,162,891	4,171,871	3,570,479	3,670,570
	9,020,892	9,089,757	8,571,300	8,101,733	7,411,190	8,045,351
	107,310	110,388	108,555	107,880	106,391	102,144
	564,103	2,849,302	478,063	245,560	237,139	630,525
	12,220,518	11,828,810	11,068,478	9,618,938	8,262,779	8,445,156
	343,050	377,697	415,102	369,971	323,519	306,324
	11,009,323	10,210,333	9,741,755	9,134,974	9,563,790	9,076,737
	3,562,597	7,325,546	8,957,508	10,541,447	7,875,252	2,886,671
	3,212,748	3,116,752	3,028,939	2,954,821	3,082,757	3,102,062
	1,765,405	1,827,945	1,939,956	2,054,206	2,188,317	2,339,146
	<u>46,162,002</u>	<u>50,981,142</u>	<u>49,472,547</u>	<u>47,301,401</u>	<u>42,621,613</u>	<u>38,604,686</u>
	(3,535,567)	(3,415,640)	(2,339,453)	(2,435,650)	761,350	(4,118,705)
	10,964,208	11,257,197	15,988,069	14,042,033	10,879,617	10,223,472
	(10,934,208)	(11,227,197)	(15,958,069)	(14,012,033)	(10,849,617)	(10,193,472)
	31,150	28,455	24,704	36,123	29,659	24,814
	(358,415)	(212,092)	(280,649)	(128,670)	(152,978)	(118,431)
	3,753,000	536,658	1,198,115	1,099,000	200,000	496,134
	<u>3,455,735</u>	<u>383,021</u>	<u>972,170</u>	<u>1,036,453</u>	<u>106,681</u>	<u>432,517</u>
\$	<u>(79,832)</u>	<u>\$ (3,032,619)</u>	<u>\$ (1,367,283)</u>	<u>\$ (1,399,197)</u>	<u>\$ 868,031</u>	<u>\$ (3,686,188)</u>
	11.69%	11.33%	12.26%	13.63%	15.17%	15.23%

**Rutherford County, North Carolina**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Assessed Value in Thousands					Total Taxable Assessed Value
	Real Property		Personal Property		Public Service Companies	
	Residential Property	Commercial Property	Motor Vehicles	Other		
2006	\$ 2,645,502	\$ 424,199	\$ 422,395	\$ 353,888	\$ 255,553	\$ 4,101,537
2005	2,528,754	426,480	391,498	360,929	244,833	3,952,494
2004	2,442,161	437,174	388,513	380,081	252,769	3,900,698
2003	2,407,920	422,400	423,799	433,119	242,451	3,929,689
2002	1,818,520	360,581	373,127	473,746	185,699	3,211,673
2001	1,763,591	344,355	349,930	470,565	205,748	3,134,189
2000	1,718,385	330,002	340,065	490,945	207,819	3,087,216
1999	1,677,703	320,808	324,070	485,973	208,010	3,016,564
1998	1,634,558	322,312	316,595	476,600	235,042	2,985,107
1997	1,602,560	305,168	229,401	431,721	230,769	2,799,619

Note - Property was revalued in fiscal year 2003.

Total Direct Tax Rate per \$100	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 0.62	\$ 46,288	88.61
0.62	4,519,202	87.46
0.62	4,352,486	89.62
0.62	4,055,407	96.90
0.66	4,340,099	74.00
0.63	4,071,433	76.98
0.57	3,886,713	79.43
0.55	3,694,506	81.65
0.55	3,306,865	90.27
0.55	3,005,818	93.14





**Rutherford County, North Carolina**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Years**  
*(rate per \$100 of assessed value)*

	Year Taxes Are Payable									
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
County Direct Rate	\$ 0.62	\$ 0.62	\$ 0.62	\$ 0.62	\$ 0.66	\$ 0.63	\$ 0.57	\$ 0.55	\$ 0.55	\$ 0.55
<b>Town Rates</b>										
Alexander Mills(1)	-	-	-	-	-	-	-	0.30	0.38	0.32
Bostic	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Chimney Rock	0.115	0.115	0.115	0.125	0.14	0.14	0.14	0.14	0.14	0.14
Ellenboro	0.25	0.25	0.25	0.25	0.28	0.28	0.28	0.28	0.28	0.28
Forest City	0.30	0.28	0.26	0.24	0.24	0.24	0.24	0.24	0.24	0.24
Lake Lure	0.28	0.28	0.28	0.27	0.32	0.32	0.32	0.31	0.30	0.30
Ruth	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26	0.26
Rutherfordton	0.54	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.49	0.45
Spindale	0.51	0.51	0.45	0.45	0.45	0.42	0.42	0.42	0.42	0.42
<b>Special Districts</b>										
Bill's Creek Fire	0.08	0.07	0.07	0.07	0.07	0.07	0.07	0.06	0.06	0.05
Bostic Fire	0.05	0.05	0.05	0.05	0.05	0.06	0.06	0.05	0.05	0.05
Cherry Mountain Fire	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Chimney Rock Fire	0.06	0.06	0.06	0.06	0.08	0.08	0.08	0.08	0.05	0.05
Cliffside Fire	0.055	0.045	0.045	0.04	0.04	0.04	0.04	0.04	0.04	0.05
Cliffside Sanitary	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Contracted Fire	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Ellenboro Fire	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Green Hill Fire	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.05	0.05	0.04
Hollis Fire	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Hudlow Fire	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Rutherfordton Fire	0.08	0.07	0.07	0.07	0.07	0.07	0.07	0.06	0.06	0.05
Sandy Mush Fire	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Shiloh Danielstown Oakland Fire	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.03	0.03	0.03
Shingle Hollow Fire	0.10	0.10	0.10	0.10	0.10	0.09	0.10	0.10	0.10	0.10
Union Mills Fire	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Note: Property was revalued as of January 1, 2002 which affected the 2003 tax levy.

(1) Alexander Mills merged with Forest City in 2000.

**Rutherford County, North Carolina**  
**Principal Property Tax Payers**  
**Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>Type Of Business</u>	<u>Fiscal Year 2006</u>		
		<u>Assessed Value (Thousands)</u>	<u>Rank</u>	<u>Percentage of Total County Taxable Assessed Value</u>
Duke Energy	Public Utility	\$ 156,818	1	3.82
Fairfield Communities	Resort Property	31,871	2	0.78
BellSouth	Public Utility	25,904	3	0.63
Broyhill Furniture	Furniture Manufacturing	19,461	4	0.47
Rutherford Electric Membership Corp	Electric Membership	18,920	5	0.46
Cone Mills Corporation	Textiles	18,555	6	0.45
Timken US Corp (formerly Torrington Company)	Manufacturing	18,199	7	0.44
RCM Management Service LLP	Airplane	18,000	8	0.44
Reeves Brothers	Manufacturing	15,946	9	0.39
National Textiles Inc	Textiles	15,843	10	0.39
Stonecutter Mills	Textiles	-	-	-
New Cherokee Corporation	Textiles	-	-	-
Mastercraft Fabrics Corporation	Textiles	-	-	-
Milliken and Company	Textiles	-	-	-
<b>Total</b>		<u><u>\$ 339,517</u></u>		<u><u>8.27%</u></u>

Fiscal Year 1997		
Assessed Value (Thousands)	Rank	Percentage of Total County Taxable Assessed Value
\$ 160,010	1	5.72
34,102	5	1.22
36,340	3	1.30
-	-	-
-	-	-
83,550	2	2.98
18,275	10	0.65
-	-	-
-	-	-
32,434	7	1.16
35,063	4	1.25
33,694	6	1.20
32,024	8	1.14
21,822	9	0.78
<u>\$ 487,314</u>		<u>17.40%</u>



**Rutherford County, North Carolina  
Property Tax Levies and Collections (1)  
Last Ten Fiscal Years**

<u>Fiscal Year</u>	Taxes Levied for the Fiscal Year (Original Levy)	<u>Collected within the Fiscal Year of the Levy</u>		Collections in Subsequent Years	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Original Levy</u>		<u>Amount</u>	<u>Percentage of Original Levy</u>
2006	\$ 26,864,829	\$ 25,786,091	96.0	\$ -	\$ 25,786,091	96.0
2005	25,833,919	24,843,268	96.2	664,524	25,507,792	98.7
2004	25,510,187	24,333,704	95.4	967,397	25,301,101	99.2
2003	25,696,721	24,565,452	95.6	943,062	25,508,514	99.3
2002	22,245,921	21,218,393	95.4	902,028	22,120,421	99.4
2001	20,680,487	19,787,900	95.7	794,804	20,582,704	99.5
2000	18,567,515	17,774,198	95.7	722,924	18,497,122	99.6
1999	17,361,813	16,550,333	95.3	751,759	17,302,092	99.7
1998	17,300,180	16,581,793	95.8	664,187	17,245,980	99.7
1997	16,234,947	15,526,236	95.6	664,787	16,191,023	99.7

(1) Includes general fund and special districts.

**Rutherford County, North Carolina  
Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population (Estimated)</b>	<b>Governmental Activities</b>		
		<b>General Obligation Bonds</b>	<b>Certificates of Participation</b>	<b>Capital Leases (1)</b>
1997	60	\$ 30,290,000	\$ 9,545,000	\$ 1,173,127
1998	60	28,055,000	9,220,000	850,370
1999	60	25,820,000	9,045,000	1,404,549
2000	60	23,950,000	8,860,000	1,988,725
2001	63	21,365,000	8,470,000	4,783,883
2002	63	19,145,000	8,470,000	4,783,883
2003	63	18,420,000	37,330,000	4,806,191
2004	64	16,050,000	36,595,000	4,495,178
2005	63	13,765,000	35,520,000	4,579,028
2006	64	13,010,000	34,055,000	8,925,633

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

(1) Includes lease purchase and private placement debt.

<b>Business-type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
<b>Capital Leases</b>				
\$ 1,498,319	\$ 42,506,446	3.83	\$ 708.44	
1,396,866	39,522,236	3.35	658.70	
1,323,519	37,593,068	3.04	626.55	
1,246,270	36,044,995	2.83	600.75	
1,079,228	35,698,111	2.66	566.64	
1,079,228	33,478,111	2.42	531.40	
988,986	61,545,177	4.41	976.91	
893,944	58,034,122	4.04	906.78	
793,847	54,657,875	3.66	867.59	
688,426	56,679,059	not available	885.61	



**Rutherford County, North Carolina**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Fund</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
1997	\$ 30,290,000	\$ -	\$ 30,290,000	0.74	505.95
1998	28,055,000	-	28,055,000	0.68	472.34
1999	25,820,000	-	25,820,000	0.63	429.62
2000	23,950,000	-	23,950,000	0.58	398.24
2001	21,365,000	-	21,365,000	0.52	339.67
2002	19,145,000	-	19,145,000	0.47	301.99
2003	18,420,000	-	18,420,000	0.45	290.39
2004	16,050,000	-	16,050,000	0.39	251.33
2005	13,765,000	-	13,765,000	0.34	217.12
2006	13,010,000	-	13,010,000	0.32	204.01

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

**Rutherford County, North Carolina**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2006**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Ellenboro	\$ 210,000	100.00%	\$ 210,000
Spindale	\$ 405,000	100.00%	<u>405,000</u>
Subtotal, overlapping debt			615,000
Rutherford County direct debt - general obligation	\$ 13,010,000	100.00%	13,010,000
Rutherford County direct debt - other outstanding debt (1)	\$ 42,980,633	100.00%	<u>42,980,633</u>
Total direct and overlapping debt			<u>\$ 56,605,633</u>

Source: Local finance offices as reported to North Carolina Local Government Commission.  
(1) Certificates of participation and installment obligations.

**Rutherford County, North Carolina  
Legal Debt Margin  
Last Ten Fiscal Years**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Assessed value of property	\$ 2,799,619,000	\$ 2,985,107,194	\$ 3,016,564,563	\$ 3,087,216,060
Debt limit	223,969,520	238,808,576	241,325,165	246,977,285
Total net debt applicable to limit	<u>30,290,000</u>	<u>28,055,000</u>	<u>25,820,000</u>	<u>23,590,000</u>
Legal debt margin	<u>\$ 193,679,520</u>	<u>\$ 210,753,576</u>	<u>\$ 215,505,165</u>	<u>\$ 223,387,285</u>
Total net debt applicable to the limit as a percentage of debt limit	13.52%	11.75%	10.70%	9.55%

Note: The County is subject to the Local Government Bond Act of North Carolina which limits the amount of net bonded debt the County may have outstanding to 8% of the appraised value of property subject to taxation. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

<b>Fiscal Year</b>					
<b><u>2001</u></b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
\$ 3,134,189,340	\$ 3,211,673,362	\$ 3,929,689,345	\$ 3,900,697,986	\$ 3,952,493,750	\$ 4,101,537,258
250,735,147	256,933,869	314,375,148	312,055,839	316,199,500	328,122,981
<u>21,365,000</u>	<u>19,145,000</u>	<u>60,556,191</u>	<u>57,140,177</u>	<u>53,864,028</u>	<u>55,990,633</u>
<u>\$ 229,370,147</u>	<u>\$ 237,788,869</u>	<u>\$ 253,818,957</u>	<u>\$ 254,915,662</u>	<u>\$ 262,335,472</u>	<u>\$ 272,132,348</u>
8.52%	7.45%	19.26%	18.31%	17.03%	17.06%

**Legal Debt Margin Calculation for Fiscal Year 2006**

Assessed value - January 1, 2005	\$ 4,101,537,258.00
Debt Limit (8% of total assessed value)	328,122,980.64
Debt applicable to limit:	
General obligation bonds	13,010,000
Other outstanding debt	<u>42,980,633</u>
Net debt applicable to limit	<u>55,990,633</u>
Legal debt margin	<u>\$ 272,132,348</u>

**Rutherford County, North Carolina  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income (2) (amounts expressed in thousands)</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
1997	59,868	\$ 1,108,548	\$ 18,517	37.00	10,089	5.2
1998	59,396	1,181,349	19,889	37.30	10,148	4.6
1999	60,100	1,235,120	20,551	37.70	10,135	6.2
2000	60,140	1,275,797	21,214	38.10	10,088	7.5
2001	62,899	1,341,746	21,332	38.50	10,069	7.2
2002	63,397	1,385,954	21,862	38.87	10,079	11.3
2003	63,432	1,396,617	22,018	39.15	10,038	10.0
2004	63,861	1,436,476	22,494	39.49	9,967	10.9
2005	63,397	1,492,387	23,540	39.87	9,882	8.7
2006	63,771	<i>not available</i>		38.30	9,898	8.1

(1) 2001 population is from U.S. Census. 1996-2000 and 2002-2006 population projected by the Office of State Planning.

(2) Personal income information is from Bureau of Economic Analysis, U.S. Department of Commerce.

(3) Public school enrollment from the North Carolina Department of Public Instruction.

(4) Unemployment data from U.S Bureau of Labor Statistics.

**Rutherford County, North Carolina  
Principal Employers  
Current Year and Nine Years Ago**

**MANUFACTURING**

<b>Employer</b>	<b><u>2006</u></b>			<b><u>1997</u></b>		
	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total County Employment</u></b>	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total County Employment</u></b>
National Textiles	600	1	2.32			
Watts Regulator Co (incl Wacasco)	565	2	2.19			
United Southern Industries, Inc	350	3	1.36			<i>information not available</i>
AGI Schutz - Forest City	280	4	1.08			
Continental AFA	275	5	1.07			
Parker Hannifin Corporation	250	6	0.97			
Timken - Shiloh Plant	243	7	0.94			
Reeves Brothers, Inc - Grace Plant	237	8	0.92			
All American Homes of NC, LLC	228	9	0.88			
Cone Mill Corp	215	10	0.83			
Eaton Corp	205	11	0.79			
Tracker Marine Group - Mako Marine Intl	<u>200</u>	12	<u>0.77</u>			
Total	<u>3,648</u>		<u>14.13</u>			

**NON-MANUFACTURING**

<b>Employer</b>	<b><u>2006</u></b>			<b><u>1997</u></b>		
	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total County Employment</u></b>	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total County Employment</u></b>
Rutherford County Schools	1,485	1	5.75			
Rutherford Hospital	700	2	2.71			
State of North Carolina	600	3	2.32			<i>information not available</i>
Walmart	500	4	1.94			
Rutherford County - Local Government	<u>350</u>	5	<u>1.36</u>			
Total	<u>3,635</u>		<u>14.08</u>			

Source: Economic Development Commission July 2005

**Rutherford County, North Carolina**  
**Full-time Equivalent County Government Employees by Function**

<b>Function</b>	<b><u>Full-time Equivalent Employees</u></b>
General government	63.0
Public safety	150.0
Environmental Protection	3.0
Economic and Physical Development	11.0
Human Services	109.5
Cultural and Recreational	7.0
Enterprise Fund - Transit	8.0
Enterprise Fund - Solid Waste	<u>18.0</u>
Total	369.5

**Rutherford County, North Carolina**  
**Operating Indicators by Function**

<b>Function</b>	<u><b>Fiscal Year</b></u> <u><b>2006</b></u>
<b><i>General Government</i></b>	
# Deeds/Deeds of Trusts Processed	11,202
Parcel Count	52,682
<b><i>Public Safety</i></b>	
# Inmates Processed	10,631
# Arrests	4,028
# Building Permits Issued	952
<b><i>Economic and Physical Development</i></b>	
# of Subdivision Plan Reviews*	54
<b><i>Human Services</i></b>	
# Senior Center Meals Served	85,852
# of Medicaid Recipients	11,457
<b><i>Culture</i></b>	
Library Book Circulation	224,561
<b><i>Enterprise Fund - Transit</i></b>	
# Trips	54,204
<b><i>Enterprise Fund - Landfill</i></b>	
Total Tonnage	71,751

Sources: Various government departments.

\* Calendar year data.



**Rutherford County, North Carolina  
Capital Assets Statistics by Function**

2006

**General Government**

County Buildings	31
County Vehicles	215

**Public Safety**

Detention Center Capacity	205
EMS Stations	3
Volunteer Fire Departments	14
Volunteer Rescue Squads	2
Volunteer EMS Agencies	1

**Cultural and Recreation**

Park Acreage	23
Public Libraries	3

**Education (Not included in the Reporting Entity)**

Elementary Schools	11
Middle Schools	3
High Schools	3
Community Colleges	1

**Airport**

Acreage	250
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**Solid Waste**

Convenience Centers	9
Manned Green Box Sites	1

# *Gould Killian CPA Group, P.A.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards***

To the Board of County Commissioners  
Rutherford County, North Carolina

We have audited the basic financial statements of Rutherford County, North Carolina as of and for the year ended June 30, 2006, and have issued our report thereon dated November 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rutherford County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rutherford County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, management and federal and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Gould Killian CPA Group, P.A.*

Asheville, North Carolina  
November 15, 2006

# ***Gould Killian CPA Group, P.A.***

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **Report On Compliance With Requirements Applicable To Each Major Federal Program And Internal Control Over Compliance In Accordance With OMB Circular A-133**

To the Board of Commissioners  
Rutherford County, North Carolina

### **Compliance**

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2006. Rutherford County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rutherford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rutherford County's compliance with those requirements.

In our opinion, Rutherford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### **Internal Control Over Compliance**

The management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*David Killian CPA Group, P.A.*

Asheville, North Carolina  
November 15, 2006

# ***Gould Killian CPA Group, P.A.***

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance In Accordance With OMB Circular A-133 And The State Single Audit Implementation Act**

To the Board of Commissioners  
Rutherford County, North Carolina

### **Compliance**

We have audited the compliance of Rutherford County, North Carolina, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that are applicable to each of its major State programs for the year ended June 30, 2006. Rutherford County's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major State programs is the responsibility of Rutherford County's management. Our responsibility is to express an opinion on Rutherford County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Rutherford County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rutherford County's compliance with those requirements.

In our opinion, Rutherford County complied, in all material respects, with the requirements referred to above that are applicable to each of its major State programs for the year ended June 30, 2006.

### **Internal Control Over Compliance**

The management of Rutherford County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered Rutherford County's internal control over compliance with requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and State awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Donald Killian CPA Group, P.A.*

Asheville, North Carolina  
November 15, 2006

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct & Pass-through) Expenditures	State Expenditures
<b>Federal Awards</b>				
<u>U.S. Department of Agriculture</u>				
Passed-through N.C. Department of Health and Human Services:				
Division of Social Services:				
<u>Food Stamp Cluster:</u>				
Food Stamp Administration	10.561		\$ 318,003	\$ -
Food Stamp Benefit Direct Payments	10.551		8,616,828	-
			<u>8,934,831</u>	<u>-</u>
Passed through N.C. Department of Environment and Natural Resources:				
Emergency Watershed Protection			313,705	104,568
Passed-through Isothermal Planning and Development Commission:				
USDA Supplement-Noncash	10.570		46,355	-
Total U.S. Department of Agriculture			<u>9,294,891</u>	<u>-</u>
<u>U.S. Department of Housing &amp; Urban Development</u>				
Passed-through N.C. Department of Commerce:				
Community Development Block Grant	14.228	03-C-1205	426,491	-
Community Development Block Grant	14.228	04-E-1337	85,582	-
Community Development Block Grant	14.228	03-C-1098	164,393	-
Total U.S. Department of Housing & Urban Development			<u>676,466</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Passed-through N.C. Department of Administration:				
BOE Technology	16.104		1,416	-
Voting Machines Grant	90.401		373,704	-
DOJ Justice Assistance Grant	16.378		13,540	-
Sheriff Fed Technology Grant	16.710		23,513	-
Criminal Justice Partnership Program		81-0705-I-A	-	74,524
			<u>412,173</u>	<u>74,524</u>
Total U.S. Department of Justice			<u>412,173</u>	<u>74,524</u>

RUTHERFORD COUNTY, NORTH CAROLINA

Page 2 of 6

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the year ended June 30, 2006

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &amp;</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed-through N.C. Department of Transportation:				
Government Center Pedestrian Trail	20.205-2		5,200	-
Community Transportation Program	20.509	04-CT-068	129,434	65,130
State Block Grant Program-Airport	20.106		282,527	-
Total U.S. Department of Transportation			417,161	65,130
<u>U.S. Department of Homeland Security</u>				
Passed-through N.C. Department of Crime				
Control and Public Safety:				
Homeland Security - Phase I	16.607		739	-
Emergency Management	97.042		26,999	-
ISIP - 2004 SHSGP Formula Grant	97.004		38,326	-
Total U.S. Department of Homeland Security			66,064	-
<u>U.S. Department of Health and Human Services</u>				
Passed-through N.C. Department of Health and Human Services:				
Division of Social Services:				
TANF-Direct Benefit Payments	93.558		888,162	65
AFDC Direct Benefit Payments	93.558		(3,086)	(846)
Work First/Temporary Assistance for Needy Families (TANF)	93.558		645,986	2,438
Title IV-D Child Support Enforcement Admin	93.563		329,273	-
Energy Assistance-Direct Benefit Payments	93.568		157,027	-
Administration	93.568		21,784	-
Crisis Intervention Payments	93.568		134,463	30,006
Child Care Development Fund Administration	93.596		98,162	-
			2,271,771	31,663
<u>U.S. Election Assistance Commission</u>				
Voting Machines Grant	90.401		373,704	-



## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the year ended June 30, 2006

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Current year	
			Federal (Direct & Pass-through) Expenditures	State Expenditures
Division of Child Development:				
<u>Subsidized Child Care Cluster:</u>				
Child Care Development Fund- Discretionary	93.575		669,704	-
Child Care Development Fund- Mandatory (CCDF)	93.596		325,620	-
Child Care Development Fund- Match (CCDF)	93.596	18111810VE	337,571	188,882
Social Service Block Grant	93.667		14,663	
Child Care Development Block Fund - TANF	93.558		224,104	
Total Child Care Fund Cluster			1,571,662	188,882
Smart Start		1711174040		54,504
State Appropriations – TANF		1811181200		151,591
TANF-Maintenance of Effort		18111810T6	-	496,828
			-	702,923
Total Subsidized Child Care Cluster			-	-
			1,571,662	891,805
Division of Social Services:				
<u>Foster Care and Adoption Cluster:</u>				
Title IV-E Foster Care Administration	93.658		370,158	107,172
Title IV-E Foster Care-Direct Benefit Payments	93.658		205,957	46,574
Title IV-E Adoption Assistance				
-Direct Benefit Payments	93.659		284,993	80,478
Adoption/Foster care	93.658		535,335	60,700
Total Foster Care and Adoption Cluster			1,396,443	294,923
Title IV-B Adoption Assistance Program:				
Permanency Planning-Grant.	93.645		20,536	5,226
Independent Living Initiative-Links	93.674		28,371	7,093
Social Services Block Grant:				
Family Planning Administration	93.667		3,050	-
Other Services & Training	93.667		229,358	23,856
In-Home Services	93.667		41,625	
Adult Day Care	93.667		11,111	6,459
			334,052	42,633
Division of Medical Assistance:				
Title XIX Medical Assistance Program				
-Direct Benefit Payments	93.778		47,175,528	22,918,384
Adult Care Home Case Management	93.778		120,962	63,050
MA Expansion	93.778		14,276	14,276
Medical Assistance Administration	93.778		540,578	-
Medical Transportation	93.778		34,595	3,067
NC Health Choice	93.767		14,093	2,607
			47,900,032	23,001,384

**RUTHERFORD COUNTY, NORTH CAROLINA**

Page 4 of 6

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the year ended June 30, 2005

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
Division of Aging:				
Passed-through Isothermal Planning & Development Commission:				
<u>Aging Cluster:</u>				
USDA Supplement	10.570		46,355	-
Title III-F 90% F/S Preventive Health Screening	93.043		4,163	245
Title III-B In-Home Services	93.044		126,427	7,437
Title III-C1 Congregate Nutrition	93.045		98,168	5,775
Title III-C2 Home Delivered Meals	93.045		56,133	3,302
Senior Center Outreach			-	1,173
Senior Center General Fund			-	5,454
Title III-Chore	93.044		54,583	-
Total Aging Cluster			385,829	23,386
Total Department of Health & Human Services			52,700,299	23,099,066
Total Federal Awards			63,154,881	23,238,720
<b>State Awards</b>				
<u>N.C. Housing Finance Agency</u>				
Urgent Repair Program	URP 0618		-	37,500
Total N.C. Housing Finance Agency			-	37,500
<u>N.C. Department of Health and Human Services:</u>				
Division of Social Services:				
State Foster Home			-	87,678
Foster Care-Benefits Program			-	122,696
Foster Care-At Risk Benefits Program			-	31,363
SC/SA Domiciliary Care-Direct Payments			-	1,085,143
dcd Smart Start			-	49,999
State Adult Protective Services			-	38,070
State Child Protective Services			-	213,730
State Aid to Counties			-	38,482
Total Division of Social Services			-	1,579,484
Division of Veteran Affairs:				
County Veterans Service Program			-	2,000
Total N.C. Department of Health and Human Services			-	1,581,484

**RUTHERFORD COUNTY, NORTH CAROLINA**

Page 5 of 6

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

For the year ended June 30, 2006

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Federal</u> <u>(Direct &amp;</u> <u>Pass-through)</u> <u>Expenditures</u>	<u>State</u> <u>Expenditures</u>
<u>N.C. Department of Environmental and Natural Resources:</u>				
Soil Conservation Service:				
SWC Administration			-	4,000
SWC Agriculture Cost Share			-	22,001
Scrap Tire Grant			-	30,820
White Goods			-	11,127
Clean Water Management Trust		GA03017	-	169,525
Total N.C. Department of Environmental and Natural Resources			-	237,473
<u>N.C. Department of Transportation:</u>				
Public Transportation Division:				
Elderly and Handicapped Tap-Medicaid		ROAP	-	54,816
Work First Transportation		ROAP	-	9,794
Rural General Public Transportation		ROAP	-	55,058
Truck Driveway Fairfield VFD Station 2				12,800
State Aid to Airports			-	275,000
Total N.C. Department of Transportation			-	407,468
<u>The Rural Center:</u>				
Pinnacle Gilkey Water		02-70-09	-	17,861
E-NC/Rural Center - BTC Grant				219,296
Total The Rural Center			-	237,157
<u>N.C. Department of Cultural Resources:</u>				
State Aid to Public Libraries		536960	-	140,576
Total N.C. Department of Cultural Resources			-	140,576

**RUTHERFORD COUNTY, NORTH CAROLINA**

Page 6 of 6

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

For the year ended June 30, 2006

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<u>Office of the Governor:</u>				
<u>Department of Juvenile Justice &amp; Delinquency Prevention</u>				
Psychological Services to the Juvenile Court		181024	-	5,340
Temporary Shelter Care		181041	-	8,480
Youth Empowerment		181009	-	91,021
Parental Empowerment		181002	-	5,773
JCPC Administration		181000	-	10,126
Project Challenge		181043	-	50,671
C-STOP Counselor		181030	-	16,813
Juvenile Mediation		181017	-	-
Total Division of Juvenile Justice			-	188,224
<u>N.C. Arts Council</u>				
Grassroots Arts Program			-	21,449
Total Office of the Governor			-	209,673
Total State Awards			-	2,851,332
Total Federal and State Awards			\$63,154,881	\$ 26,090,051

**Notes to the Schedule of Expenditures of Federal and State Awards:**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Rutherford County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. Benefit payments directly to recipients and are not included in the County's basic financial statements. However, due to the County's involvement in determining eligibility, they are considered federal awards to the County and are included on this schedule.

**RUTHERFORD COUNTY, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2006

**I. Summary of Auditor's Results**

- A. An unqualified opinion was issued on the financial statements of Rutherford County.
- B. Our audit of the basic financial statements disclosed no instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that are material to the basic financial statements.
- C. There were no single audit compliance findings required to be reported.
- D. An unqualified opinion was issued on Rutherford County's compliance with the types of compliance requirements applicable to its major federal and state programs.
- E. Major federal programs for Rutherford County for the fiscal year ended June 30, 2006 are:

<u>Program Name</u>	<u>CFDA #</u>
Subsidized Child Care Cluster	93.575, 93.596, 93.667, 93.558
Temporary Assistance for Needy Families	93.558
Title XIX Medicaid	93.778
Food Stamp Cluster	10.561, 10.551
Child's Health Insurance Program	93.767

- F. Major State programs for Rutherford County for the fiscal year ended June 30, 2006 are:

Child's Health Insurance Program  
Foster Care/Adoption Cluster  
Subsidized Child Care Cluster  
SC/SA Domiciliary Care  
Title XIX Medicaid  
Temporary Assistance for Needy Families

- G. The threshold for determining Federal Type A programs for Rutherford County is \$ 1,895,000(3%).
- H. The threshold for determining State Type A programs is \$300,000.
- I. Rutherford County qualifies as a low risk auditee under Section .530 of Circular No. A-133.

**II. Audit Findings Required to be Reported in Accordance with *Government Auditing Standards***

There were no findings related to the financial statements for the year ended June 30, 2006.

**III. Audit Findings Required to be Reported in Accordance with OMB Circular A-133**

There were no findings or questioned costs related to federal and state awards for the year ended June 30, 2006.

**RUTHERFORD COUNTY, NORTH CAROLINA**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the year ended June 30, 2006

There were no findings or questioned costs for the year ended June 30, 2005.

